FINANCIAL TIMES

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No. 29,847 — Wednesday February 5 1986 — D 8523 B

Spain: González's new test on Nato vote, Page 2

World news

Israelis intercept jet from Tripoli

A Libyan civilian aircraft was intercepted by Israeli fighter jets and forced to land in northern Israel in what appeared to be an unsuccessful attempt to capture radical PLO leaders.

The executive-style jet and its 12 passengers and crew were released after a military search of the aircraft. The passengers included a leading member of Syria's governing Arab Ba'ath Party.

The Damascus-bound flight originated in Tripoli where radical Arab and Palestinian groups had been meeting. Page 18

Chunnel job gains

The loss of jobs at British ports and on ferries as a result of the fixed link to France will be more than offset by gains elsewhere, said David Mitchell, UK Transport Minister. Details, Page 10

Eiffel bomb defused

Paris police defused a large bomb found in a washroom on the third floor of the Eiffel Tower 90 minutes before it was set to explode, French television reported.

Talks on Taba strip

The Israeli Cabinet authorised the departure of a delegation to Egypt to resume talks on control of the Taba strip on the Sinai border. Page 6

Engine plant burns

Fire destroyed most of a huge American jet engine plant, prompting officials in Harrisburg, Pennsylvania, to declare a brief state of emergency for fear of toxic fumes escaping from the TRW complex.

Danish poll agreed

The Danish Parliament voted unanimously to hold a national referendum on February 27 on changes in the European Community Treaty.

Barre shuns allies

Raymond Barre, former French Prime Minister, dealt a blow to right-wing unity by refusing to attend a meeting of French opposition leaders barely six weeks before general elections. Page 3

Election wind-up

Thousands of Filipinos jammed the streets of central Manila as Mrs Corazon Aquino wrapped up her campaign to unseat President Ferdinand Marcos in Friday's election. Marcos announced tax concessions. Page 6

Iceland wage stand

Iceland's Prime Minister Steingrimur Hermannsson said he would resign if trade unions continued to press for wage rises of 8 per cent after inflation.

Women try for top

An all-woman expedition set off for the Arctic island of Spitzbergen from where its eight members, six French and two Canadian, will attempt to reach the North Pole on skis.

Haiti capital silent

Shops in the Haitian capital of Port-au-Prince remained closed despite Government calls for a return to work. Opposition leaders predicted the overthrow of President-for-life Jean-Claude Duvalier. Page 4

Guerrilla justice

Afghan exiles said their guerrilla forces had executed eight captured military and police officials of the Soviet-supported Government in Afghanistan, following a trial inside Pakistan.

Battle in Colombia

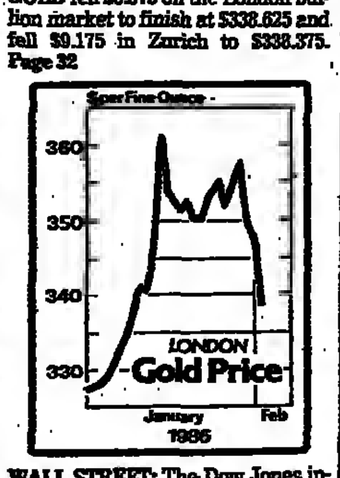
Colombia's army said its soldiers repelled an attack on the south Western town of *Morales* by a left-wing force of guerrillas from Colombia, Ecuador and Peru.

Business summary

Siemens to boost investment by 44%

SIEMENS, West German electrical, telecommunications and computer concern, announced a 44 per cent rise in investment this year, to DM 6bn ($2.5bn). Page 19

GOLD fell $8.875 on the London bullion market to finish at $338.625 and fell $9.175 in Zurich to $338.375. Page 32



WALL STREET: The Dow Jones industrial average closed 1.04 down at 1,593.23. Page 40

TOKYO shares hit a record on strong buying of rail stocks. The Nikkei market average was 51.62 higher at 13,138.09. Page 40

LONDON: Good banking statistics ignited late buying, boosting the FT Ordinary index to 8.8 to a record 1,163.9, while the FT-SE 100 index firmed 6.5 to 1,431.6. Gilts were higher. Page 40

SYDNEY: The All-Ordinaries index hit a record 1,072.9 with a 2.7 rise amid the Bell Resources/BHP bid. Page 40

DOLLAR was firmer in London, rising to DM 2.4145 (DM 2.4), SFr 2.043 (SFr 2.035), FFr 7.3875 (FFr 7.3525) and Y192.05 (Y191.5). On Bank of England figures, the dollar's exchange rate index rose from 123.7 to 124.7. Page 33

STERLING was little changed in London, but fell slightly to $1.3770 ($1.3865), DM 3.325 (DM 3.3275), SFr 2.8125 (SFr 2.8225), FFr 10.1875 (FFr 10.195) and Y264.5 (Y265.5). The pound's exchange rate index was unchanged at 73.5. Page 33

IRELAND'S Central Bank imposed a three-point increase in bank lending rates to business in an attempt to brake the run on the Irish pound. Page 3

WEST GERMAN unemployment rose by 243,000 to 2.5m last month. Publication of the figures coincided with widespread work stoppages in protest at proposed labour laws. Page 3

ERICSSON INC, the US-based subsidiary of the Swedish telecommunications and electronics group, said it had won orders worth $35m for fibre optical and telecommunications cable.

SKETCHLEY, UK household and industrial dry-cleaning company, announced it was putting its major US business Sketchley Services Inc, up for sale. It also announced details of the acquisition of Breakmate, a USM quoted vending machine distributor. Analysis, Page 22

GENERAL MOTORS: Two senior executives, widely regarded as the most likely successors to one of the two top jobs in the world's largest motor group, are being promoted in tandem in a move which will leave the race between them wide open. Men and Matters, Page 16

TENNECO, diversified US group with interests including energy, farm equipment and shipbuilding, suffered a 32 per cent fall in net earnings last year due to continued weakness in many of its core businesses. Page 19

GRUMMAN, US aerospace group, reported a decline in fourth-quarter and full-year earnings despite higher sales. Page 20

PRIVATBANKEN, one of Denmark's three largest banks, is preparing to enter the stockbroking business as soon as this is permitted by a reform of the Copenhagen Stock Exchange, probably by the end of the year. Page 19

Opec ministers to seek united policy on market share

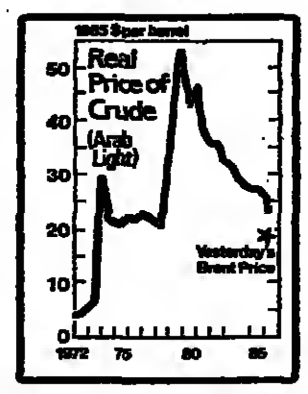
BY DOMINIC LAWSON IN VIENNA AND MAX WILKINSON IN LONDON

THE Organisation of Petroleum Exporting Countries (Opec) is planning to hold a full ministerial meeting of all its 13 members in mid-March, probably in Geneva, in an attempt to hammer out a united policy aimed at winning a bigger share of the stagnant world oil market.

Oil ministers from Kuwait, Iraq, *United Arab Emirates, Indonesia* and Venezuela, meeting in Vienna, agreed yesterday that Opec could not stay within its existing 16m barrels a day (b/d) and that they could not avoid a major price collapse without production restraint by other oil producers.

Opec ministers yesterday showed their determination not to pull back from the brink. The Kuwaiti minister, Sheikh Ali Kalifa al Sabah, said yesterday: "There is no U-turn. Opec producers should now sell what they can until there is an agreement with non-Opec producers. We have freed member-countries from their obligations under quotas."

In Europe, the continued world over-supply of crude oil pushed spot prices down by about $1 a barrel. Brent crude for May delivery was sold at $15.50, about half its spot price three months ago.



Despite the increasing pressure from Opec and the prospect of further falls in the price of North Sea crude, the British Government has shown no inclination to order cuts in North Sea production.

Opec is now divided into three clear factions, which will prove difficult to unite at the March meeting. Iran, Algeria and Libya believe that Opec should strive above all to push prices back up by cutting production below 16m b/d.

Other non-Gulf countries, including Venezuela, believe that Opec should call for a minimum output of between 17m and 18m b/d and seek accommodation with non-Opec producers involving the latter in cutting production by at least 1.5m b/d.

The Gulf countries, particularly Kuwait, insist that any ceiling in excess of demand for Opec oil is meaningless. Market shares, they say, should be increased by each Opec member selling what it can and forcing the price of oil down to levels at which North Sea producers decide to give way.

But under existing agreements with North Sea oil companies the scope for cuts would be limited. In the most recently developed fields, licences permit oil companies to pump oil at the maximum possible rate for periods of around five years. In other fields, cuts of up to 20 per cent could be ordered, but only after six months' notice.

Unless the Government were to renege on existing agreements, most observers believe the maximum feasible cut would be about 200,000 b/d out of total production of 2.5m b/d.

Oil companies might make larger

Continued on Page 18

Editorial comment, Page 16; Lex, Page 18

BL talks with Ford, GM face growing criticism

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

THE PROPOSED sale of large parts of BL, the British state-owned motor vehicle group, to General Motors and Ford of the US came under growing political and union criticism yesterday.

Ford is negotiating to buy Austin Rover, BL's volume car subsidiary. Mr Paul Channon, Trade and Industry Secretary, said on Monday that talks between GM and BL about the possible sale of both the Land Rover and Leyland Trucks operation were at an advanced stage.

The opposition Labour Party decided to press its attack on the proposed sale by holding a half-day debate today.

The Conservative Government also faced growing criticism from its own backbench MPs, especially those representing constituencies in England's West Midlands, heartland of the British motor and engineering industries. Some of those MPs were considering last night whether to vote against the Government at the end of today's debate.

Mrs Margaret Thatcher, the Prime Minister, insisted in the House of Commons yesterday that the talks were aimed at protecting jobs at BL and looking after the taxpayers' interest. Several West Midlands MPs protested about the talks in a meeting with Mr Channon.

The talks have apparently not been discussed by the full Cabinet though they are in line with the existing commitment to return BL to the private sector. A number of ministers and senior Conservatives are concerned, however, that in the wake of the Westland affair, the Government is particularly vulnerable to criticism that another large part of British industry was being handed over to US companies.

Mrs Thatcher insisted that the talks were taking place "with the full support of approval of the BL board." After noting the large scale of state support over the years, she said this could not continue. BL, she insisted, would have "a better future if it is in a position not to make a continuous demand of the taxpayer."

Mr Neil Kinnock, the Labour leader, accused the Government of handing over BL gift-wrapped to a foreign competitor. Dr David Owen, the Social Democrat leader, wondered whether the line would be drawn at 44.5 per cent of the UK car market going to Ford (if it took over Austin Rover). He demanded an assurance that there would be a reference to the Monopolies and Mergers Commission.

Kenneth Gooding and David Thomas add: Britain's two biggest unions, the Transport and General Workers and the AUEW engineering union, warned again yesterday they would not let the sell-off go ahead without a fight. Mr Ken Cure, AUEW executive member, commented: "We have just had a political storm over Westland – there could be another over Land Rover if production for the British armed services will in future have to rely on a foreign power."

Mr John Chowcat, divisional officer in the white collar union ASTMS, said that he would raise the takeover talks at a negotiating meeting with Ford this week. The white collar unions would oppose the idea because it would lead to job losses in the components industry as well as the motor industry.

Mr Sam Newton, chairman of the Leyland Truck Distributors Association, said yesterday that, given the choice, the dealers would prefer Leyland to remain independent and return to profitability.

Editorial comment, Page 16; Lex, Page 18

BHP rejects bid for control

BY LACHLAN DRUMMOND IN SYDNEY AND GORDON CRAMB IN LONDON

MR Robert Holmes à Court, the Perth-based corporate raider, yesterday unveiled plans for a A$1.93bn (US$1.36bn) cash bid which would give him effective control of Broken Hill Proprietary (BHP), the energy and metals group which is Australia's biggest company.

Although Mr Holmes à Court is seeking only 20 per cent of BHP through the market, the bid would be by far the largest seen in Australia. It is almost double the A$1bn record reached during last year's takeover flurry in the country's *brewing and food sectors.*

The offer, which is being launched through Mr Holmes à Court's Bell Resources, is his third attempt to gain influence over BHP management. This time, however, his starting point is an existing 18.8 per cent stake in the company.

Although part of this is held in option form, success for its latest partial bid would bring the total Bell Resources entitlement in BHP close to 39 per cent.

Sir James Balderstone, chairman of BHP, met Mr Holmes à Court at 7am yesterday for two hours to hear his intentions. The board met later and produced a scathing rejection of the plan.

Bell Resources intends to offer A$7.70 a share cash, with an alternative of one of its shares plus A$2.50. It is seeking 250m shares. Tha value compares with BHP's closing price of A$7.40 in Sydney yesterday, up 14 cents on the day, *and with a recent adjusted peak of* A$7.72. Bell Resources retreated 20 cents to A$7.20.

Trading in BHP shares has been dominated for at least a year by the presence of Bell as a buyer. Its latest foray comes, however, at a time when energy analysts are starting to revise downwards their earnings forecast for BHP in the light of falling world oil prices.

The group has a half share in the Bass Strait offshore oil fields, which produce nearly all Australia's crude. The proposed bid values all of BHP at A$9.6bn or just under nine times prospective net profits of A$1.1bn for the year to May – before the full effect of oil price cuts is expected to be felt.

But Sir James, in describing the offer as "worthy of derision," went on to claim that Mr Holmes à Court had "made it clear that he did not expect it to succeed." The bid as outlined is subject to conditions which may fall foul of securities legislation now being enacted.

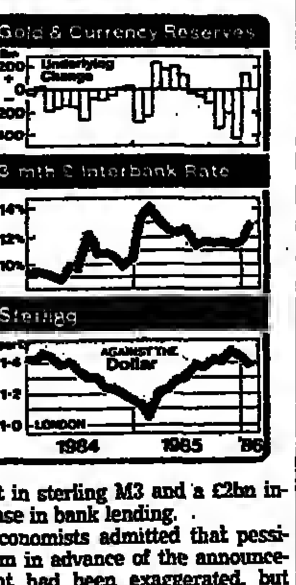
Mr Holmes à Court said the offer was perfectly serious and described as "sheer nonsense" a suggestion by BHP that he might seek to break up the company.

Lex, Page 18; Bell's third attempt, Page 22

UK money and reserves data steady sterling

BY PHILIP STEPHENS AND GEORGE GRAHAM IN LONDON

THE BRITISH Government's hopes of avoiding a damaging rise in interest rates received a boost yesterday from official figures showing a rise in the UK's foreign currency reserves and a sharp slowdown in bank lending last month.



The figures surprised London's financial markets and helped to steady the pound, which had earlier fallen sharply in response to a renewed slide in the Brent oil price to below $16 per barrel. Interest rates on the money markets eased back to just below 13 per cent.

Mrs Margaret Thatcher, the Prime Minister, said in the House of Commons that her Government's main priority remained to curb inflation but acknowledged that it was also "important" that interest rates did not rise.

London analysts said last night that the outlook for UK borrowing costs remained uncertain and would depend crucially on how the pound reacted to any further turbulence on the oil market.

Meanwhile, the collapse in oil prices since the beginning of the year is thought to have effectively removed the scope for income tax cuts in next month's British budget unless revenues from indirect taxes are raised. Treasury and Department of Energy officials are now actively working on the possible options for increased duties on petrol and other oil products to raise additional cash.

Yesterday's figures indicate that Britain's gold and foreign currency reserves showed an underlying rise of $132m last month to stand at $15.6bn. That compared with the widespread expectation among London analysts that the figures would show a fall of between $400m and $500m, reflecting intervention to prop up the pound last month.

The rise in reserves partly reflected receipt of a European Community rebate on Britain's payments to Brussels, but it was also clear that intervention to support the pound was much less than the $500m which had been widely assumed.

Official figures for the growth of the money supply in January also confounded analysts' forecasts. The Bank of England said that sterling M3, the most close-watched monetary indicator, grew by only about ¼ per cent in January, while bank lending fell back to £400m. Mo, the narrow money supply indicator, rose by 1½ per cent over the month, but at 4½ per cent its annual growth rate remained well within the Government's target range.

Brokers' economists had been predicting a rise of at least 1 per cent in sterling M3 and a £2bn increase in bank lending.

Economists admitted that pessimism in advance of the announcement had been exaggerated, but some warned that subsequent market reaction may have been too favourable.

Mr Stephen Lewis at broker Phillips & Drew said that money market interest rates were still relatively high and sterling had still not escaped from the problem of falling oil prices. "The balance of probability is still that the next move in base rates will be upwards," he said.

Mr Peter Fellner at broker James Capel, however, said that if the markets remain calm today the authorities may feel that they have ridden out the storm.

The Treasury was emphasising last night that one month's figures should not necessarily been seen as heralding a new, much more subdued, trend in the money supply. The annual growth of sterling M3 at 14 per cent is still well above the 5 to 9 per cent target range originally set in last year's budget.

The official view, however, is that the January figures may indicate that the surge in bank lending seen over the previous few months was an aberration.

The Government's line on interest rates is that sterling's fall has not so far threatened its inflation target, but that it would not be indifferent to any further sharp reduction in the pound's value.

Yesterday sterling fell initially but recovered in later trading, with the sterling index unchanged at 73.5 at the close. Against a generally stronger dollar the pound lost 0.85 cents to end the day in London at $1.3770.

Editorial comment, Page 16; Lex, Page 18

Botha's apartheid: more equal but still separate

By Anthony Robinson in Cape Town

"THOSE who want to seize power shout that apartheid lives. Well, those who want to share power say it is dying."

That was how President P. W. Botha put it in the R300,000 ($134,000) advertising campaign now running in South African newspapers to persuade his countrymen and the world at large that separate development is moribund. But as Parliament debates the President's opening policy speech and ministers give briefings to the foreign press, it looks increasingly as though the real aim of the National Party Government is not to kill apartheid but to modernise it.

The key assumption behind apartheid, that society must be organised on the basis of its separate ethnic and cultural components, remains essentially intact. The commitment to reform does not imply the replacement of separate development by multiracial institutions and a non-racial government. Instead the Government has, in essence, committed itself to equalising the opportunities for the separate components of this society to raise their social, educational and economic standards and participate, as separate groups, in decision making and legislation affecting the whole.

In other words the policy is: still separate but more equal in future. It is a policy which clashes head on with the belief held widely by the black communities, and many liberal whites, that separate development means, by its very nature, an unequal society and a formula for continuing white domination.

Nowhere is this belief more tenaciously held than in the key area of education, where 18 separate education departments ensure that each tribal homeland and each separate community educates its children according to the customs and in the language of that group.

This ensures not only that blacks and whites develop separately in their formative years but also, as in the Transvaal, that English-speaking whites are strictly segregated from their Afrikaans speaking counterparts – by law. Ironically, the principal exception to this rule is to be found in the private schooling sector.

Unlike England or the US, where wealthy parents choose private schools partly to escape the racial

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ANC, British talks, Page 6

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Salvation glimpsed from high on Swiss Alp

BY JONATHAN CARR IN DAVOS

"FOR EVERY complex problem," claimed a senior central banker early this week, "there is a solution which is simple, neat—and wrong." His listeners at the annual Davos Symposium, drawing together some 600 executives and politicians from more than 50 countries, nodded gloomily. No one could accuse them of thinking there were easy answers!

Forsaking the sun and ski slopes at this resort 5,000 feet up in the Swiss Alps, they huddled like troglodytes in seminars and working groups—wrestling with the problems of slow economic growth, unemployment, high interest rates, debt, protectionism and payments imbalances.

Last year the mood of the gathering, e so-called "world economic forum" organised by the independent EMF Foundation of Geneva, was highly optimistic. A glowing future seemed in store for entrepreneurs and others relying on market forces, with Ronald Reagan's America blazing the way.

This year, the world looked much more complicated and there was foreboding in the air. The message emerged from one discussion session after another that action to ease one set of problems (say debt or protectionism) would prove fruitless without parallel steps to solve others.

"We all have to do a lot of things simultaneously," said Mr Clayton Yeutter, US Trade Representative, in a call for more open markets, stronger growth in the industrialised world and support for the plan to ease the debt crisis, proposed by his colleague Mr James Baker, the Treasury Secretary.

He drew a round of applause and an ironic whisper that this would be e "nice trick if you can do it."

Mr Jacques Delors, president of the European Commission, urged new action in Europe and Japan to boost growth, curb unemployment and thus take over the economic locomotive role so far played by the US. But Mr Martin Bangemann, West Germany's Economics Minister, made plain that his country planned no such steps and, without the Germans, most participants felt growth action by other European states would prove self-defeating.

Optimists tend to assume that when the commercial banks talk about treating the debtor states on a "case by case basis," they mean that individually-tailored solutions must be found for each country. But it is clear that key banks interpret this phrase to mean that some debtors named in the Baker plan are simply not suitable cases for treatment at all. There is also a fear that the official blessing given to growth may give some debtor states an excuse to abandon essential domestic austerity programmes prematurely.

These and other debates seemed almost to mock the keynote theme, "The Courage for Global Action," chosen for this year's conference. They also took place against a background of continuing slump in oil and commodity prices, raising new warnings from developing country representatives of more social strife and inability to service foreign debt.

Yet oddly, as the symposium wore on, it was exactly the fall in these prices combined with the drop in the US dollar which began to emerge as e possible road to economic salvation. Some participants reckoned that the relief on energy and commodity import bills—not least in Europe and the US — would encourage growth, help depress inflation, and bring lower interest rates.

That would help boost demand for finished and semi-finished products from developing countries and cut the interest burden on (devalued) dollar debt.

"You see, market forces really work after all," beamed a former member of the Reagan Administration who made clear he did not give much for the chances of global action anyway. He even reckoned that a particularly hard-hit case like Mexico might make up in lower interest payments on its debt what it lost in oil export revenue.

Few other participants were as bold. But, despite the central bankers' warning, they began to hope that a neat solution to a complex problem might just be in the offing after all.

Hungary eases reins on its MPs

By David Buchan

HUNGARY IS introducing procedural changes in its Parliament to accommodate the likelihood that debate there will be more divisive and livelier since last year's introduction of multi-candidate elections, the first of their kind in the Soviet bloc.

Mr Istvan Sarlos, Parliament's chairman, said more opposition to draft legislation was now to be expected from among the 387 members, 352 of whom were competitively elected. From the spring session, MPs would have their votes counted electronically, be able to intervene in debate simply by raising their hands (rather than submitting written requests) and receive draft bills to study et least one month in advance. Parliament also opened its own press office on February 1.

The changes are intended to give more political weight to the parliament, which despite its imposing neo-Gothic edifice on the banks of the Danube, has been as much a rubber-stamper of Communist Party and government decisions as any other Soviet bloc legislature.

Mr Janos Kadar, Hungary's veteran party leader, evidently intends that the informal process of extensive consultation by which he has run the country should now be institutionalised more overtly in the parliament.

Polish output slows to 3% in line with forecast

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND'S recovery from a drastic fall in output at the start of the decade slowed in line with official predictions to 3 per cent last year, government figures show.

In the previous year, the national income, a category comparable to gross national product, grew by 5.6 per cent and is set to stay at 3 per cent in 1986. The government figures show industrial output last year up by 3.8 per cent, which was down on target but compensated for by a good year in agriculture, where a higher than expected output was realised.

This year, too, the planners are counting on a good farm yield to keep national income growth at 3 per cent while industrial output is expected to fall to between 3.2 and 3.6 per cent. In 1985 there was strong pressure for capital investment which overshot the plan by 6 per cent. A growing volume of resources tied to unfinished projects put an additional strain on the economy.

The average monthly industrial income also outstripped government targets and exceeded the officially admitted inflation rate of 15 per cent by three percentage points.

Government subsidies to industry continued at a high level, with 45 per cent of the amount of taxes and payments yielded by companies to the Finance Ministry ploughed back in an effort to keep down prices.

Coal, milk, flour products, housing and passenger transport were the most heavily subsidised areas last year, the government report maintains. Nineteen eighty five ended with Poland's hard currency debt amounting to \$29.3bn (£21bn) and Comecon debts at Rubles 5.6bn (£5.35bn).

Felipe Gonzalez: Past the point of no return.

SPANISH DEFENCE DEBATE

High stakes for Gonzalez in Nato referendum

BY DAVID WHITE IN MADRID

THE DIE is cast: Spain is now only a predictable parliamentary vote away from officially calling its March 12 referendum on whether to stay in Nato. Mr Felipe Gonzalez, whose own standing as Prime Minister is as much at stake as the Nato issue itself, has in the last few weeks moved relentlessly past the point of no return.

After four successive postponements, Congress yesterday began its long-heralded debate on defence policy. Televised live, it is due to conclude before the weekend with approval of the referendum decree. This is the last possible moment for the debate before the referendum, which is itself being staged at the last practical opportunity before the end of the Government's present mandate.

As Mr Gonzalez made abundantly clear, even when he was fighting his way to power in 1982 just after Spain had joined the alliance, he has been in no hurry to fulfil his referendum pledge. Inserted in the election programme to rally the anti-Nato lobby on the side of the Socialist Party, the principle of the referendum has in the meantime been turned upside down by the party's change of heart in favour of membership.

Against the advice of some of his colleagues, Mr Gonzalez is going ahead on two grounds: All the polls show a big majority, whatever the attitude towards Nato, in favour of holding the ballot, and the Prime Minister considers a backdown would be deeply damaging to the credibility of his government and of Spain's democratic institutions.

While there is little doubt that Spain is emotionally more inclined to neutralism, confidence has been growing both in the Government and among its friends in Europe that Mr Gonzalez can win a majority—if a slim one — for his qualified pro-Nato platform.

The terms of the referendum are designed to appeal to reason and what Mr Gonzalez calls "political maturity" rather than gut feelings. The voter is not being asked if he is for or against Nato but if he considers it "advisable for Spain to remain in the Atlantic alliance under the conditions laid down by the Government."

"These conditions, which will be spelt out in a preamble on the ballot slips, are Spain's non-participation in Nato's integrated military command (which means no Spanish soldiers would have to serve abroad), the banning of nuclear weapons from Spanish territory and progressive cuts et the four US military bases in the country.

The US has come to Mr Gonzalez's aid by agreeing to start negotiations on the cuts by the summer, that is, once it has seen what happens in the referendum.

The gamble is therefore arranged, as far as possible, in the Government's favour. But it is still a gamble. Opinion surveys are contradictory. According to the Government's own polls, the undecided vote remains at least as big as either the "Yes" or "No" faction and only half the voters say they will definitely turn out. The Government is squeezed between a Left-wing anti-Nato campaign, which took to the streets again yesterday, and an anti-referendum campaign on the part of the Right-wing opposition, which is calling for abstention.

Until recently the big question was whether the referendum would be held. Now it is: What will happen if the Government loses?

In the event of defeat, the Government could be expected to call immediate general elections and to denounce the Treaty of Washington which binds the allies. Spain would, however, have to give a year's notice of the country's intended withdrawal. If the Socialist Party, which maintains a big lead over the other parties, won the elections on a pro-Nato platform, it could subsequently rescind the year's notice and keep the alliance intact.

But this theoretical path is strewn with dangers. If the referendum produced a resounding victory for the "Noes," with a big turnout, it would be difficult for the socialists—many of whom remain opponents of Nato, or at best reluctant converts— to resist the current. Spain would then have to face the consequences of becoming Nato's first defector, both for its foreign relations (of the other 15 Nato allies, 10 are partners in the EEC) and for joint defence industry programmes.

On the other hand, Socialist leaders believe that Mr Manuel Fraga, head of the pro-Nato conservative opposition, is also taking a perilous course by calling for abstention. Mr Fraga argues that the referendum is a mess of the Socialists' own making, a "plebiscite for a government and its contradictory foreign policy," a bad precedent for other Nato countries, and should be snubbed. Whether or not his own supporters agree, his stance risks isolating him from the rest of the EEC democratic Right. It could also have the perverse effect of helping to unite the Socialist camp.

If the referendum produced a resounding victory for the "Noes," with a big turnout, Spain would then have to face the consequences of becoming Nato's first defector, both for its foreign relations and for joint defence programmes.

The anti-Nato camp, spearheaded by the otherwise disunited Spanish Communists, is really more anti-American. The campaign has become two-pronged: "Nato no, bases out."

Reinforced by the association between the US military presence and the Franco regime, under which the US bases were set up, and by the unpopularity of recent US policy in central America, hostility to the US goes far back and is not restricted to the Left.

The main argument of the "No" campaign is not only that Nato risks implicating Spain in other people's conflicts, but that it means subordinating Spanish foreign policy to the US.

Mr Gonzalez, in defending Nato, is trying to side-step anti-American feelings rather than confront them face on. His tactic is to present Nato as a primarily European organisation.

The Gonzalez Government's case is based on the idea that Spain is better taking part in decisions that in any case concern it directly, that membership is consistent with being in the EEC and that the European element of the alliance needs strengthening.

With help from Lord Carrington, the Nato secretary-general, who carried off a delicate visit to Madrid last month with consummate skill, it is also making clear that it can be a special case within the alliance. Some of the allies may consider this to be a half-in, half-out solution, but they have to accept that for the time being that is the best they can hope for.

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W. German jobless rate rises to 10.4%

By Peter Bruce in Bonn

THE WEST GERMAN unemployment rate rose to 10.4 per cent last month, the second highest January total since the currency reform of 1948. This compares with 9.4 per cent in December and 10.6 per cent in January 1985. Publication of the figures coincided with countrywide stoppages both in protest at moves to tighten strike laws and by public service unions in support of a 6 per cent pay claim.

The main union federation the DGB, claimed some 250,000 of its members took part in demonstrations against government efforts to change the laws to prevent workers indirectly affected by strikes being paid social security benefit.

The OTV public service union said 170,000 of its members had downed tools for a few hours in support of their 1986 pay claim. This played havoc with public transport in dozens of cities, leaving commuters stranded for hours in freezing temperatures.

The proposed strike law changes are to be discussed in Parliament for the first time today. The DGB has called for a second day of protest by urging members to watch the debate on television and to listen to their radios even if this interrupts work.

● Austria's unemployment increased sharply in January to 7.1 per cent of the workforce and above the 200,000 level for the first time since 1959, according to provisional government figures, writes Patrick Blum in Vienna.

The unadjusted figure reached 208,000 from 138,202 or 6.3 per cent in December. There is concern here particularly since the rise is disproportionally strong among the young and in certain sectors such as the building industry where one in three workers is out of a job. The Government is due soon to announce a construction programme designed to alleviate unemployment in the industry.

Dutch act as EEC internal market campaign slips back

BY PAUL CHEESERIGHT IN BRUSSELS

THE DUTCH Government yesterday sought to inject new momentum into the EEC's programme to break down all the barriers in the internal market by 1992. Although the pace of decision-making has quickened, serious slippage has occurred in the programme put forward by the European Commission last June and broadly endorsed by last July's EEC summit.

Of 61 proposals put forward by the Commission for decision before the end of 1985, 24 went through, Lord Cockfield, the internal market commissioner, told trade ministers here.

But the Commission itself is having trouble keeping up with its self-imposed timetable and is complaining about lack of staff. By the end of December it should have brought forward 48 purposals. In fact it produced 16. But Lord Cockfield promised to make up the ground by June and come forward with a further 59 proposals in any case planned for 1986.

Yesterday's meeting of trade ministers was the first of the Dutch presidency to discuss the internal market. A further four are planned before the end of June, thus more than doubling the pace of ministerial discussion.

The Netherlands has coordinated a programme with the UK, which will succeed it in the presidency of the Community on July 1. This programme has a target of 95 items for decision.

Mr Alan Clark, 48 hours into his job as the UK Trade Minister, refused to countenance the idea that full achievement of the internal market was impossible by 1992. "There will be destruction of our momentum if we allowed any doubts about that to surface at this stage," he said.

The Dutch-UK programme for the rest of the year ranges from mutual recognition of higher education diplomas and measures to define the equity capital of banks through a common regime for non-life insurance and examination of a directive on cross-border mergers to transport liberalisation and the intellectual protection of the topography of micro-chips.

The ministers yesterday agreed the legal basis on which the Community would ratify a new international system for the classification and coding of goods. But they made no further progress on deciding how to bring into force an EEC patents convention first agreed in 1975.

Innovation scheme launched

By Our Brussels Staff

THE EUROPEAN Community's new research programme in industrial technology slipped into gear yesterday when the European Commission announced 95 contracts aimed at hastening innovation in established industries.

The programme, called Basic Research in Industrial Technologies for Europe — Brite — runs until 1988 and has a budget of Ecu 256m (£160m), half of which will come from the Community and half from the companies and institutions taking part.

The first 95 contracts were selected by the Commission and a committee of industrial experts from 559 proposals submitted. Each project has to be run by two or more companies situated in different countries of the EEC, thus following the organisational pattern laid down in a parallel programme for information technology.

The areas covered include the reliability of materials, laser technology, joining techniques, computer aided design and manufacturing, and new materials. The work is pitched at the stage between basic research and the developmental phase immediately before the marketing of a product.

Opposition rocked by Barre blow

BY PAUL BETTS IN PARIS

MR RAYMOND BARRE, the former French Prime Minister and a leading right-wing candidate for the presidency, has dealt perhaps his most serious blow to the opposition parties barely six weeks before general election by forcing the cancellation of a so-called summit of French opposition leaders, by refusing to take part.

Former President Valery Giscard d'Estaing last week asked his fellow opposition leaders to attend a summit at Clermont Ferrand, in central France, to show the opposition's united front before the election on March 16. Both Mr Jacques Chirac, leader of the neo-Gaullist RPR party and also a future presidential candidate, and Mr Jean Lecanuet, head of the UDF centrist political grouping, had accepted.

But Mr Barre, who according to opinion polls is the most popular politician on the Right, turned down the invitation arguing that while he fovoured the union of the opposition he felt it had to rest "on common and clear bases."

He underlined his difference with the other opposition leaders who, unlike the former Prime Minister, have said it would be possible for a right-wing majority if elected in March to "cohabit" or rule alongside a Socialist President. Mr Barre has always opposed the idea of "cohabitation," as the term has become popularly known in France.

This consistent opposition has been a major thorn for the other right-wing leaders and for the Right's election campaign. But the rift and rivalries among the different opposition leaders have now been blown wide open by Mr Barre's refusal to attend the summit, although he attended, reluctantly, such a summit last year.

The visible internal squabbling inside the right is clearly undermining the opposition's overall image before the election. Although the right is generally expected to gain the majority in the National Assembly next month, the Socialists have managed to narrow the gap in recent weeks, according to the latest opinion polls.

Further freeing of money markets expected

BY OUR PARIS STAFF

FURTHER liberalisation of French financial markets was expected to be announced last night by Mr Pierre Beregovoy, the Finance Minister. The development of an open market monetary system is to be encouraged in which the Banque de France intervenes in much the same way as the Federal Reserve does in the US.

The idea is for the central bank to deal in short-term negotiable securities such as Certificates of Deposit (CDs), commercial peper and the recently-introduced Treasury Bills. This would help its more liberal approach of regulating monetery growth through interest rates rather than the traditional French system of credit ceilings.

Mr Beregovoy, who was named "Financier of the Year" last night together with Mr Jacques Calvet, the Peugeot chairman, has made financial deregulation and the modernisation of French capital markets key aspects of his policies.

The new move will enhance the central bank's role and give it greater flexibility to intervene over interest rates either by injecting or draining liquidity from the market. Finance Ministry officials acknowledged yesterday that the bank would be able eventually to operate in the new open market system in much the same way as the Fed through so-called repurchase agreements (or repos), which inject liquidity and drive interest rates down or through matched sales (also known as reverse repos), which drain liquidity and send interest rates up. At present, the central bank deals predominantly in non-negotiable instruments like commercial loans it buys from specific lenders such as a big bank.

Other recent steps to increase the bank's powers include giving it full sway over Treasury Bill auctions.

However, both Banque de France and Finance Ministry officials said yesterday that the new open market operations would not happen overnight and that a phasing-in period would be necessary. This could take about five years. "They now have the tools to adopt an open market policy but it is up to the central bank to decide how to go about it," said one.

The latest moves are part of the process of change that has taken place during the past 14 months under Mr Michael Camdessus, the central bank governor.

The government and the monetary authorities have been anxious to modernise and deregulate French financial markets to prevent the country from falling too far behind the changes taking place in major international markets like those of the US and Britain. Officials have made no secret that they were keen to make the French system evolve closer to American lines.

Irish bank lending rates soar

By Hugh Carnegy in Dublin

IRELAND'S central bank imposed a three percentage point increase in bank lending rates to business yesterday, in an attempt to staunch the strongest run on the Irish pound since the currency broke with sterling in 1979.

Fears that the punt will be devalued in any realignment of the European Monetary System (EMS), combined with the Irish currency's present strong position against sterling, have led to heavy sterling purchases and a leap in local money market rates to around 15 per cent.

The situation is a vivid illustration of the punt's vulnerability to sterling fluctuations despite Irish membership of EMS. European markets widely expect an EMS realignment sometime after the French general election next month.

As sliding oil prices have pushed down sterling, the punt has risen to a three-year high of more than £0.90. But Ireland's strong trading ties to sterling have led many corporate buyers to take advantage of the present rates in the belief the punt will eventually tumble.

Banks reported that many private individuals have also been buying sterling for shopping trips to Northern Ireland and holidays in the UK.

Central bank overnight rates have already risen 3.5 points to 13.75 per cent and bank rates went up by around two points last month. Yesterday, the central bank said it had been forced to take further action by the exceptional circumstances.

In an effort to stem borrowing to finance sterling purchases, interest on non-personal overdrafts and term loans of up to one year go up to as high as 17.75 per cent. Deposit rates of more than I£25,000 go up to around 13 per cent.

The move ended a period of almost a year in which the banks had been free to set interest rates individnally.

In other moves, there were indications by the Government that it would not sanction a punt devaluation and the central bank placed an embargo on commercial banks, putting extra foreign exchange on the market through exchange swops with the central authority.

Moscow 'asks extra DM5m' for Shcharansky

By Rupert Cornwell in Bonn

MOSCOW is reportedly seeking "around DM 5m," (£1.5m) extra for the release of Mr Anatoly Shcharansky, the Soviet dissident and the central figure in the imminent East-West spy swap.

According to today's edition of *Bild Zeitung*, the mass circulation West German paper which broke the news of the planned swap at the weekend, Jewish businessmen in Antwerp have already signalled their willingness to put up the money.

Bild, with a proven record as e conduit for information the Russians want leaked, moreover claims that Moscow now wants the handover of three more East-bloc agents held in the West, as well as the eight originally requested.

One of them, according to the paper, is Ms Margarethe Hoeke, the long serving secretary in the office of Mr Richard von Weizsaecker, the West German President, who was arrested here last summer. In return, the Soviet Union is said to be offering the additional release of Mr Boris Kalandariov, another dissident imprisoned in Leningrad.

Last night officials refused to comment on the latest claims of *Bild*. Reports from Washington have suggested that the exchange could take place at the Glienicke Bridge in Berlin on Tuesday but both timing and location could be altered in the wake of the publicity the plans have reecived.

Pressure builds on US to stop testing nuclear arms

BY WILLIAM DULLFORCE IN GENEVA

THE BUILD-UP in international pressure on the US to halt its testing of nuclear weapons and to agree to a test ban treaty surfaced yesterday when the United Nations Conference on Disarmament resumed in Geneva. The US is also being asked to rethink its position on a convention banning chemical weapons.

Now that the Soviet Union had agreed to inspection of its nuclear test sites and other countries had offered to put odequate test monitoring equipment in place, the US had been "presented with a very clear situation and has to make up its mind," said Mr Richard Butler, the conference's Australian president.

The US has claimed that there is no sure means of verifying compliance with a test ban. It has also argued that it needs to continue testing in order to catch up with Soviet nuclear weapon development. That argument was "just not serious," Mr Butler said yesterday. He also dismissed France's objections to e nuclear test ban as "eccentric."

The climate at the 40-nation conference, which has achieved nothing in seven years, has been substantially changed by the Reagan-Gorbachev summit and by recent Soviet moves on the disarmament front.

These have included the Soviet moratorium on nuclear testing, now extended to the end of March, and the statement by Mr Mikhail Gorbachev outlining a 15-year, three-stage programme for nuclear disarmament.

The resumption of nuclear arms control talks by the US and the Soviet Union last year and the pledges made by President Ronald Reagan and Mr Gorbachev at the summit in November had given the UN conference a "good fighting chance" of at least concluding some disarmament agreements, Mr Butler said.

He thought a convention banning chemical weapons might come first. Some 80 per cent of the work had been completed. After the two leaders' promise to accelerate efforts to conclnde a certifiable convention, it should be possible to "knock off" the remaining 20 per cent which included the most difficult issue —how to verify that chemical weapons were not being produced.

Haiti surprised at withdrawal of US support

BY CANUTE JAMES IN PORT-AU-PRINCE

HAITIAN officials reacted with surprise and dismay yesterday to the US Government's very public endorsement of political change. The statement made on Monday by Mr George Shultz, the US Secretary of State, calling for a democratically-elected government in Haiti is seen as a move to "legitimise" the wave of popular protest against President Jean-Claude Duvalier.

In spite of US pressure on the Duvalier regime to improve its human rights record, until earlier this month the Reagan Administration appeared willing to keep backing him. No opposition figure had been singled out for special treatment by the US and the main American concern had been to ensure stability on this part of the strategic island of Hispaniola that Haiti shares with the Dominican Republic.

The Shultz statement has now formally removed American backing. Officials here believe this change is not unconnected with the "vulgar" haste with which Mr Larry Speakes, the White House press spokesman, last Friday announced the premature collapse of the Duvalier regime.

The fact that President Duvalier did not flee and has been willing to use brutal force to cling to power has momentarily taken the momentum from the protests.

Mr Duvalier's Government has however been struggling to suppress the protests which began in November. Estimates of the number of people killed since then range from 65 to 400.

The Government has imposed martial law which has brought an uneasy calm to Port-au-Prince, the capital. However, sketchy reports from other towns to which foreign journalists have been denied entry indicate that the protests are continuing.

Diplomats in Port-au-Prince say the Haitian Government is undecided about how it should handle its relations with the US. They say thought had been given to declaring Mr Clayton McManaway, the US ambassador, *persona non grata*, but such drastic action seems unlikely given Haiti's dependence on official US financial support.

The US has been reluctant to disperse parts of an aid package of $56m promised to Haiti unless the State Department certifies the country is making progress towards improving its human rights record.

The imposition of martial law appears to have given Mr Duvalier a chance to resist the protests but Government officials say they fear Mr *Shultz's statement could incite* further demonstrations. The Government is already convinced that it was the much publicised demands by the US for an improvement in human rights which fuelled the first protests.

In spite of the Government's claim that the situation in the country is normal many shopkeepers in Port au-Prince are ignoring an appeal from Mr Duvalier to open their doors, sporadic gunfire is still heard in the city and there have been reports of a mass grave outside the capital.

The president has been touring the city accompanied by heavily armed men and asking some shopkeepers to open up. Those who do, close soon after he departs.

UAW suffers setback at Honda

By Terry Dodsworth in New York

A FOUR-YEAR-OLD union-organising drive at American Honda, the US manufacturing subsidiary of Honda of Japan, appears to have suffered a serious setback following the failure of an official complaint by the United Auto Workers' union against alleged obstruction by the company.

Dismissing the allegations, the National Labour Relations Board (NLRB), the regulatory agency for labour affairs, said it had found "insufficient evidence to issue a complaint."

The union says that it will appeal against the decision, but experts believe that its failure to win the support of the NLRB has put it on the defensive in the organising battle, and will strengthen the company's hand in securing support among uncommitted employees.

The UAW's objection over the company's tactics was lodged with the NLRB late last month only days before a vote on union representation was due to take place.

The UAW claimed that the company had tried to "chill" sentiment towards the union by interrogating employees and improving some benefits which had been at issue in the union recruiting drive.

Before winning the right to the vote, the UAW had to show the support of 30 per cent of the 2,500 eligible workers at the Honda plant situated in a rural area at Marysville, Ohio.

It is widely felt, however, that the union has had considerable difficulty in assembling the additional 21 per cent which it needs to win representation at the facility.

Some labour lawyers feel that its tactics in asking for the NLRB investigation were designed to give it more time to get its vote together, while trying to cast the company in an unfavourable light.

The manoeuverings at Honda are being closely watched by other Japanese companies in the US, many of whom have tried to avoid exposure to the unions by setting up operations in parts of the country with historically weak labour organisations.

For the UAW, the Honda drive has become an important test case of its ability to extend its reach beyond the regions where it has an established history of effective organising.

US wages ahead

WEEKLY earnings of people with full-time jobs in the US reached a median $351 in the last three months of 1985, growing at a pace well ahead of inflation, according to the US Labour Department, Reuter reports from Washington.

Brazil industry minister announces resignation

BY RICHARD FOSTER IN RIO DE JANEIRO

BRAZIL'S Commerce and Industry Minister Mr Roberto Gusmao has announced his resignation and criticised the Government of President Jose Sarney for not acting decisively in reducing the size of government as promised. The resignation comes in advance of a cabinet reshuffle expected later this week.

Mr Gusmao, a 62-year-old Sao Paulo industrialist, handed in his resignation late on Monday. He criticised Mr Dilson Funaro, Finance Minister, for monopolising economic policy in a ministry he said had become "a dangerous super dinosaur."

Mr Joao Sayad, Planning Minister, had not acted quickly enough in selling off 47 state-owned companies listed five months ago but still in Government hands, he said.

Mr Gusmao said the promised streamlining of the bureaucracy had become bogged down in questions as which public officials should be entitled to government cars.

Neither President Sarney nor his ministers responded to the charges.

US plans computer network to simulate space battles

BY PETER MARSH

THE US Defence Department is planning a grandiose computer simulation facility which at a cost of $500m to $1bn (£725m) would test theories for fighting battles in space.

The facility would comprise a network of computers based at government and industrial laboratories and at missile ranges. It would be built as part of President Reagan's $26bn Strategic Defence Initiative (Star Wars), aimed at devising by the 1990s a strategy to defend the West against nuclear attack by shooting down missiles in flight.

Under the proposed system, information from different sites would be fed by telecommunications lines and communications satellites to computers at separate bases.

By feeding information derived from sensors that detect objects passing through space into the hardware, engineers could program it to simulate an attack on the US by Soviet missiles.

Other computers would then operate in a similar way to see how they would react in a working Star Wars system. They might even instruct prototypes of defensive missiles developed under the SDI project to fire as though the onslaught was real.

A crucial part of the simulation facility would be to test the "battle management" software required to operate the supervisory computers in a working Star Wars system.

The development of such software, which might contain tens of millions of lines of computer instructions and be virtually free of errors, is widely regarded to be one of the hardest tasks facing engineers working on Star Wars.

The SDI Organisation, the branch of the Pentagon overseeing the programme, has asked US industry to put forward by mid-February proposals for constructing the facility—called the National Test Bed.

Martin Marietta (the US defence and aerospace company which is working with IBM and Hughes Aircraft) is expected to submit ideas. Other proposals are likely to come from Boeing, TRW and Rockwell.

According to industry sources, the winning company would be chosen in 1987, ready for the operation of the system in 1988.

Among the research centres that the test bed would link up are two big sensor development sites run by Martin Marietta in Denver, Colorado, and the US Army in Tullahoma, Tennessee.

It would also connect the US Air Force's missile ranges at White Sands, New Mexico, and Kwajalein Atoll in the Marshall Islands in the Pacific, together with existing computer simulation facilities at US Government laboratories such as the Lawrence Livermore Laboratory near San Francisco.

Crossroads for Chilean unions

BY MARY HELEN SPOONER IN SANTIAGO

The plight of Chile's trade unions has frequently attracted attention from labour groups abroad, in particular the International Confederation of Free Trade Unions, which is considering a boycott against the country. Last month a visiting Norwegian labour leader was arrested at his hotel by Chilean security agents and placed on a plane to Uruguay.

SAN ANTONIO is a sleepy Chilean port town and a trade unionist's nightmare. Located 100km west of Santiago, the city bore the brunt of destruction caused by an earthquake last year and residents estimate that only 2,000 of the 16,000 housing units destroyed have been rebuilt or replaced. The city's dockyards provide the area's chief source of jobs and unemployment and underemployment affect as much as three-quarters of the workforce.

Last October, San Antonio's dock workers joined their counterparts in Valparaiso, Chile's principal port, in an ill-fated strike to demand higher wages and greater job security. Less than six weeks later the strike ended with little perceptible impact on port activity, no concessions for the workers and a new Labour Ministry decree eliminating the last remaining vestiges of union influence in hiring.

Chile's labour movement, whose leaders were instrumental in organising a series of protests against Gen Augusto Pinochet's regime in 1983 and 1984 today finds itself at a difficult crossroads. While its grievances — low wages, curtailed union rights and lack of job security—are as great as ever, trade unions have little real influence over these conditions.

In 1979, Chilean authorities, faced with a threatened international labour boycott, passed a labour law restoring some limited trade union rights. The law did not restore the closed shop and allowed strikes when contract negotiations fail. Striking workers can be locked out after 30 days and after 59 days are considered to have dismissed themselves.

The labour code, along with Chile's persistently high unemployment rate (about 15 per cent, not counting another eight to ten per cent of the workforce enrolled in government projects for the unemployed) means that the country's trade unions tend to be rather weak organisations.

Sr Eduardo Rios, president of Chile's Port Workers' Federation, notes that in Valparaiso some 11,000 workers compete for just 2,000 jobs in the dockyards. In 1981 the authorities abolished a tripartite commission formed by dockworkers' leaders, Labour Ministry officials and shipping company representatives which negotiated hiring practices and wage levels. The commission's regulatory activity was replaced by the simple granting of work permits on a mass scale, creating a vast pool of dockworkers competing for a limited number of jobs.

A subsequent government decree, issued during the strike, eliminated even the system of dockworker permits and provided that shipping companies could sign individual labour contracts with workers at the beginning of each shift—including those who had never worked at the dockyards before.

As a result of these measures, wages have plummeted from 2,200 pesos per day (about £6) to an average of less than a 1,000 pesos (about £2.50). In addition, workers have no guarantee of being hired from one day to the next, as each shift is newly negotiated. A dockworker in San Antonio showed the "contract" he had signed that day, a small blue slip of paper stating he had agreed to work seven and a half hours for 950 pesos. At the same time, the decree guarantees workers' social security and health benefits if they manage to work at least one shift per month.

The plight of Chile's trade unions has frequently attracted attention from labour groups abroad, in particular the International Confederation of Free Trade Unions, which is considering a boycott against the country. Last month a visiting Norwegian labour leader, Mr Reidar Trulsen, was arrested at his hotel by Chilean security agents and placed on a plane to Uruguay. The official explanation was that a pending order prohibited Mr Trulsen from entering the country. The order was rescinded a few days later.

Even if the ICTFU did decide to launch a boycott against Chile, it is far from clear that the move would have any real impact. A Western diplomat in Santiago expressed doubts as to whether foreign labour groups would adhere.

"It's more of a moral thing the ICTFU might do, but in actual fact they seldom exert pressure on a government," he said. "There might be picketing in front of Chilean embassies, but nothing to really worry the Government."

In a makeshift soup kitchen housed in a San Antonio union hall, three burly stevedores stirred vegetable stew in battered aluminium pots. The soup kitchen, one of six run by the town's dockworkers' unions, feeds 100 people daily. The local Catholic church runs another 45 soup kitchens in the city, a number which has multiplied since last year's earthquake.

"I don't know how our people survive from day to day" said Mr Manuel Ulloa, a dockworkers' union treasurer. "The port of San Antonio has been punished by nature and by man."

World Bank could boost lending 'by $2bn'

By Walter Ellis

THE WORLD BANK has "ample capacity" to increase lending by some $2bn (£1.5bn) per year over the next three years and should concentrate such additional lending on large debtor countries with credible reform programmes, Mr David Mulford, Assistant Secretary for International Affairs at the US Treasury, said yesterday.

Speaking at a lunch in London organised by Orion Royal Bank, Mr Mulford said that most of the World Bank's new lending would take the form of "fast-disbursing sectoral and structural adjustment loans." These, he added, "must be accomplished without dilution of the quality of World Bank lending."

Mr Mulford said that tight loan conditions were even more vital for the future of the Inter-American Development Bank given the worsening Latin American debt crisis. Any substantial increase in fast-disbursing lending by either bank which failed to maintain loan quality would result in "a serious over-exposure and a diminished international credit standing" for both institutions.

Mr Mulford denied a report that, in his view, Mexico required a further $6bn-$6.5bn in loans. He said if Mexico were to reduce its level of imports and boost exports, it would be able to maintain its financing gap at $4bn.

Debtor nations, like the banking community, had suffered in recent years from capital flight, he said. This was the ultimate proof that the debt problem could only be addressed through the adoption of fundamental economic reforms that restored public confidence in the debtor nations themselves.

Overall, the recent decline in world interest rates could be expected to save debtor countries $7bn-$8bn on their commercial bank debt in 1986. But while lower oil prices would help many debtor nations, for others the decline would present extremely difficult problems.

Nicaragua reforms currency system

BY TIM COONE IN MANAGUA

NICARAGUA HAS devalued its currency and raised its interest rates as part of a series of measures aimed at trying to control its growing economic problems.

The multi-tier exchange rate system, which has been in operation for a year and formerly valued the cordoba at between 20 and 50 per US dollar, depending on the category of import or export, has been unified at 70 to 1 for visible trade.

However, oil imports will continue to be paid for at 28 cordobas to the dollar, and payments on foreign debt contracted before February 1985 will be on a rate of 10 to one.

A concession has also been made for industrial products to boost their export to the Central American market. A quarter of their value is to be exchanged at "the official free market" rate of 750 cordobas to the dollar and the balance at the new unified rate of 70 cordobas.

Nicaraguan trade with Central America has slumped badly in recent years, partly due to the foreign exchange shortage affecting the region, but also because of the over-valuation of the cordoba. On the black market the dollar trades for over 1,000 cordobas.

Interest rates for long-term deposits have been raised to 47 per cent per annum, although lending rates to agriculture and industry remain highly subsidised at between 18 and 36 per cent. The inflation rate last year is estimated to have exceeded 300 per cent.

President Daniel Ortega said the latest measures are aimed at stimulating production and exports, promoting savings and reducing the money supply. Great care would be taken to keep the fiscal deficit under control this year, which is budgeted at 26bn cordobas. This has been unofficially estimated to be the equivalent to 23 per cent of GNP form 1986.

Castro: bringing in new faces

Castro may delegate more power to brother

PRESIDENT Fidel Castro of Cuba yesterday opened a four-day congress of the ruling Communist Party which will establish government guidelines for the next five years and re-elect a new Politburo and central committee to run party affairs.

Mr Castro's own position as head of state and first secretary of the Communist Party is not in question. But the President may use the congress as a platform to delegate more power to his younger brother Raul, 53, who has already been named as his eventual successor.

A less flamboyant figure than his 59-year-old brother, Mr Raul Castro is currently Defence Minister and deputy leader of the Communist Party.

In recent months he has figured with increasing prominence in the state-controlled media and party sources suggested that he may soon be appointed Prime Minister, in charge of day-to-day running of the government.

Yesterday Mr Castro launched straight into a detailed report on Cuba's performance during the 1981-1985 five-year plan. Tomorrow, the 1,790 delegates are set to discuss guidelines for Cuba's next 1986-1990 five-year plan and a programme of action for the Communist Party in the coming years.

They will consider also amendments to the party statutes and vote in a closed session for a new Politburo and central committee to run party affairs until the next five-yearly congress in 1990.

A dozen veteran leaders of Cuba's 1959 revolution have been replaced in government over the past year by a new generation of technocrats in their mid-40s and the sources said these changes would be reflected to some extent in the new party hierarchy.

Cuba's main ally, the Soviet Union, is represented by Mr Yegor Ligachev, senior Politburo member

Case against Tan strengthened by director's guilty plea

BY STEVEN B. BUTLER IN SINGAPORE

THE SINGAPORE Government's case against Mr Tan Koon Swan, the prominent Malaysian Chinese politician and businessman, took a new turn yesterday when a Pan-Electric Industries director pleaded guilty to criminal breach of trust in two charges that involve Mr Tan.

The prosecution also introduced a lengthy "statement of facts" detailing alleged illegal and fraudulent securities transactions and misuse of Pan-Electric funds by Mr Tan dating from November 1984.

Prosecution statements confirm that the Pan-Electric director, Mr Tan Kok Liang (no relation), has co-operated extensively with investigators since November, when Pan Electric was put into receivership. Pan-Electric's imminent default on forward share purchase commitments threatened a chain reaction of defaults among securities dealers and led to an unprecedented three-day closing of the Singapore and Kuala Lumpur stock exchanges in early December.

Mr Tan: returned home to cheering supporters

The Singapore court on Saturday approved Mr Tan Koon Swan's petition to return to his home in Malaysia for two weeks, and up to ten thousand of Mr Tan's cheering supporters greeted him on Sunday when he arrived at the Kuala Lumpur airport. He is now resting at his home, where he has been visited by senior Malaysian political figures, *including Dr Mahathir Mohammed*, the Prime Minister, who expressed his sympathy and support.

Mr Tan's political future seems increasingly bleak as the Singapore Government builds its case against him, even though his supporters have continued to rally around him. Officials of the Malaysian Chinese Association, of which Mr Tan is president, have said that Mr Tan is now preparing his defence.

Mr Tan had initiated a ten-point "revitalisation" programme for the MCA upon his election to the party presidency in November, but party officials say the reform efforts will have to wait.

The prosecution is evidently heavily basing its case against Mr Tan Koon Swan on the testimony of Mr Tan Kok Liang. The Pan Electric director is expected to turn state's witness *in the trial starting May 5*. He is mentioned as a conspirator or principal in 14 of the 15 charged, and pleaded guilty, in Swan, although he has been cahrged, and pleaded guilty, in only two relatively minor cases.

Malaysian industry plan lays stress on exports

By Wong Sulong in Kuala Lumpur

Malaysia's industrial master plan published yesterday and approved by the Cabinet, is seen as a blueprint for Malaysian industrialisation up to the year 2000.

It argues that Malaysia requires another round of industrialisation to ensure continued economic growth, and says it should be based on manufacture for export as opposed to the earlier phase based on import substitution.

The plan is sharply at variance to the Government's policy on heavy industries, undertaken by Dr Mahathir Mohammed, the Prime Minister, five years ago, and currently suffering from high production costs and lack of markets. While the master plan does not criticise the heavy industries policy directly, it says it should only be undertaken on a limited basis because of the heavy demand for capital and technology which Malaysia does not possess.

"Like it or not, Malaysia is already into heavy industries. Now about 40 per cent of its manufacturing output is in products of heavy industries," said Dr Seongjan Yu, the UN Industrial Development Organisation (Unido) adviser, who co-ordinated the preparation of the plan.

The master plan argues that the best bet for Malaysia is to capitalise and industrialise in areas which *it has a comparative advantage*. It projects the Malaysian economy growing by an average of 6.4 per cent annually over the next decade, with the manufacturing sector leading the way with a growth rate of 8.8 per cent. Manufacturing which constituted 19 per cent of gross domestic product last year is expected to rise to 24 per cent by 1995.

The master plan analyses Malaysia's prospects in 12 industrial sectors, and highlights agro-based industries as ideal for Malaysia because of its strength as a leading commodity producer.

"Priority industries" which Malaysia should get into include rubber tyres, oil palm-based products, furniture and food processing.

The report is critical of the present status of the electronics and electrical industry which is dependent almost entirely on foreign investments, research and markets. However, the industry is likely to show the most impressive growth over the next decade, with export value expected to treble to 16.7bn Ringgit (£4.9bn) by 1995.

But to succeed, Malaysia must rectify some fairly serious structural weaknesses. For example, the report notes that the present tariff system protects home industries and encourage complacency while penalising Malaysian exporters. This policy, the plan says, should be reversed.

But most important, the Malaysian Government must reconcile conflicting objectives. The plan points out Malaysia has more difficulties compared with other newly industrialising countries in squaring its industrial development objectives with a multiplicity of other political and social aims such as the regional policy, the Bumiputra and local equity ownership rules.

Marcos woos voters with tax concessions

BY CHRIS SHERWELL AND SAMUEL SENOREN IN MANILA

AT LEAST 100,000 supporters of Philippines opposition candidate Mrs Corazon Aquino poured on to Manila's streets last night as President Ferdinand Marcos offered last-minute economic concessions to secure re-election at this Friday's polls.

Meanwhile, the police said the death toll in election-related incidents had risen to 47 by Monday, and the official Commission on Election (Comelec), broke a previous promise and enlisted the assistance of the Philippine's military in running the poll.

Mrs Aquino's noisy rally, the last in her two-month campaign, stopped traffic across the whole capital area as people marched to a central park.

Speaking to an audience of businessmen, the President claimed that the core of the Communist inspired guerrilla insurgency could be wiped out within a year and that surrenders were increasing. Official figures released yesterday showed that 4,776 people died in 3,877 insurgency-related incidents last year—a rate of 13 deaths a day.

The President warned the opposition not to encourage violence during or after Friday's election. "We can handle anything you start," he said and hinted at a tough clampdown.

Of the election, he said that in the final analysis he was asking one question: which candidate's hand was wanted "close to the red button" when decisions had to be made?

In his concessions, made with his controversial decree-making power, Mr Marcos reduced the impact of sales tax, promulgated an agriculture incentives bill, waived oil taxes for a distressed mining company and announced a programme of privatisation.

Mr Marcos also promised a second cut in petroleum prices after his re-election. He ordered a 10 per cent reduction last month, and a cut in sales tax earlier.

Mr Marcos offered to debate election issues with his opponent today on a government-controlled television station.

Mrs Aquino countered with a proposal to bring forward a dual appearance on ABC Television of the US. Comelec ruled earlier yesterday that transmission of such a programme, planned for Thursday, contravened the election law.

Mrs Aquino has asked Comelec to postpone the polling in the southern province of Lanao on the island of Mindanao. She fears that a proliferation of private armies in the province will result in violence.

Israel and Egypt start normalisation talks

BY ANDREW WHITLEY IN TEL AVIV

TALKS ON the normalisation of relations between Israel and Egypt are due to resume today in Cairo following the recent hard-fought compromise within the Israeli coalition Government over the Taba border dispute.

A potential last-minute hitch over the resumed negotiations was overcome yesterday at an inner Cabinet meeting in Jerusalem which settled the terms of reference of the Israeli delegation. The Foreign Ministry was reported to have been unhappy with the alleged looseness of the Israeli position.

Although the procedures to be adopted in settling the dispute over the Taba region—a tiny strip of land at the head of the Gulf of Aqaba—will be main focus of the Cairo talks, Israel is anxious to broaden the discussions to cover all aspects of bilateral relations.

A 14-point package agreement thrashed out by Mr Shimon Peres the Prime Minister last month included calls for the return of the Egyptian ambassador to Israel and for a long-promised report from the Egyptian authorities on last October's killing in the Sinai desert of seven Israeli tourists.

Officials in Jerusalem, however, cautioned against expecting an early break-through in the often tortuous negotiations. "This is the beginning of a long haul," one said yesterday.

There is disappointment here over the apparent failure of King Hussein of Jordan last week to reach agreement with Mr Yassir Arafat of the Palestine Liberation Organisation on the next stage of the peace process.

David Lennon on Tel Aviv's success at putting the brakes on inflation

Fragile flower of economic stability

ISRAEL'S Treasury is basking in the glow of its striking achievement in sharply braking Israel's inflation, but its fear that this may only be a temporary phenomenon is sharply underlined in the ultra-cautious Budget which it has tabled for the coming fiscal year.

The keynote of the policy for 1986-87 is to maintain the newly attained stability in the economy: To hold inflation to the level of 1 to 2 per cent a month which resulted from the statutory controls introduced last July by a government made desperate by the 445 per cent inflation rate of 1984.

"We have taken the first steps in the right direction," says Dr Emmanuel Sharon, director general of the Finance Ministry. "But I wouldn't say we have finished the job."

The efforts to reduce inflation have been a success, he says, immediately adding—"So far." Dr Sharon is wary because of the experience of some other countries. "Iceland for instance, brought inflation down sharply for a few months and then it started to pick up again. So, maybe it's too early to say we have completely contained inflation."

This attitude has been criticised as "timid" by some economists who fear that pursuit of stability could quickly produce stagnation. They are concerned that this policy could deepen the business slump and push unemployment, which doubled to 7.5 per cent in the past two years, up to unprecedented levels.

The new Budget is a linear continuation of the economic recovery programme launched in July, its critics say. The Treasury failure, it is argued, is that it makes no effort to build on the success of the recovery programme to renew growth, the avowed aim of the Government.

This view is not shared by Israel's biggest bankrollers, the US, American officials support Dr Sharon's view that the newly achieved economic stability is a fragile flower which could be crushed by a number of developments, mostly within the domestic political spectrum.

The biggest threat to the recovery programme is the possibility that the coalition would break up and new elections called. In the search for votes, the Government might give in to wage demands and pressures from manufacturers to relax price restraint. Such a development could quickly wipe out the achievements of the past six months.

There will also be increasing pressure from business circles to ease back on the credit squeeze which has pushed a number of companies into financial difficulties.

"Some badly managed businesses are in trouble because they had inflationary rather than real profits, and some basically healthy companies are in trouble because they have to recycle their debts with high interest rates," Dr Sharon says. "But I believe that most of these problems will disappear in 1986."

The prime factor in the success of the stabilisation programme was the substantial cut in real wages last year. This was as high as 30 per cent at one point during the year, and most people believe that they suffered a loss of income of at least 20 per cent, even after some automatic compensation for inflation during the year.

With further additional compensation already in the pipeline, Dr Sharon believes that, by the end of the current fiscal year, at the end of March, real wages will have been cut by 16 per cent from the level prevailing at the beginning of the year. This will bring them back to the salary levels of 1980/81.

The battle to restore stability also included bringing about "a very drastic change in behaviour" regarding government expenditure which had far outstripped income in the 12 months preceding the adoption of the new economic policy. Subsidies on basic commodities were cut sharply and the Treasury refused to table any supplementary budgets to cover overspending. These measures, plus increased revenue from taxes, enabled the Finance Ministry official to claim that "we have had no deficit since July 1985."

The stablisation programme was also aided by some external factors, most notably by tha fall in the price of oil, the appreciation of the European currencies against the dollar late last year which increased the profitability of Israel's exports, and, of course, additional US eid.

Washington's largesse has now hit an all time high. Military assistance was converted totally to grant form in the current US fiscal year, which began in October 1985, and increased from $1.4bn to $1.8bn.

In addition to the $1.2bn economic grant, Washington also provided a supplementary grant of $1.5bn. Half of this was paid over on September 29 last year, thus formally falling into the 1985 fiscal year. The remaining $750m is due to be paid out before next October, and probably a lot earlier.

This emergency aid was designed to help Israel retain its creditworthiness with the international community, both by displaying concrete evidence of continued US economic support, and by enabling the Government to improve the state of its severely depleted foreign currency reserves.

Price stability is only one of the two problems which have bedevilled the Israeli economy in recent years. The other, equally worrying development, was the growing current account deficit in the balance of payments.

The policy of Mr Yitzhak Modai, who took over as Finance Minister when the national unity government came to power in September, 1984, was to tackle both problems simultaneously. "The only cure for the economy was to tackle both sides of the coin at the same time," his director general explains.

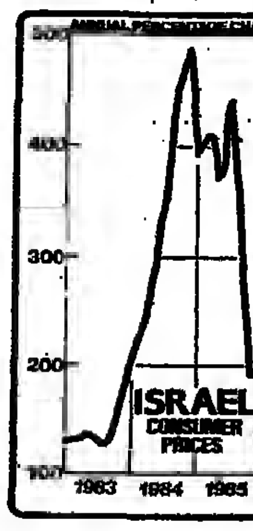
From a peak of some $5.5bn at the end of 1982, the current account deficit was forced down to $4.8bn at the end of 1984 and reduced by a further $400m during 1985. The 1986 target is for a further reduction of about $300m to bring the balance of payments deficit down to $4.1bn.

"The Israelis are not out of the woods yet and there are still a lot of uncertainties about the continued success of the programme," comments a senior American official. But he shares the view of Dr Sharon that if stability can be maintained during 1986, the stag* could be set for a renewal of growth and investment in the years ahead.

Public sector employees throughout Israel halted work for two hours yesterday morning in protest at the government's budget proposals. The Histadrut, Israel's trade union federation, claimed almost total success for the strike, from which the private sector was exempt.

Mr Yisrael Kessar, secretary general of the Histadrut, has demanded "radical changes" in the 1986-87 austerity budget recently presented to the Knesset. He said the 30.3bn New Shekel (£14.7bn) budget, was likely to cause a slump in industry and agriculture.

Yesterday's brief stoppage follows two days in which junior government workers refused to answer telephone calls.



Fears mount over British businessman held in Iran

By Our Middle East Staff

There is growing concern in London over the fate of a British businessman, Mr Roger Cooper, who has been detained in Iran for nearly two months.

Mr Cooper, 50, is an employee of McDermott International, the US oil construction company, and has acted in Tehran as an advertising representative of the Financial Times.

The Iranian authorities have refused all access to Mr Cooper, despite repeated requests by British diplomats in Tehran. He was arrested on December 7.

The Foreign Office said yesterday that the Iranians had been reminded several times that refusal to grant access to Mr Cooper was a breach of their signature to the Vienna convention on consular relations.

Protests have also been lodged with the Iranian charge d'affaires in London and the issue raised with other more senior Iranian officials.

The Ministry of Foreign Affairs in Tehran has refused to say where Mr Cooper is being held and has not said if any charges are to be made against him.

Mr Cooper is resident in Dubai and is a fluent Farsi speaker. He lived in Iran for a number of years before the 1979 revolution.

Soviet team ends visit to Tehran

THE SOVIET First Deputy Foreign Minister, Mr Georgy Kornienko, left Iran yesterday after a three-day visit which both sides said was constructive and successful, Reuter reports from Tehran.

Mr Kornienko, who headed the highest Soviet political team to visit Iran since its 1979 revolution, told Tehran Radio his talks with senior officials had been "useful, pleasant and constructive."

The national news agency Irna quoted Mr Kornienka as saying the talks were also "frank." But most Iranian officials and Mr Kornienko *mainly emphasised* the need for good neighbourliness and expansion of mutual relations.

Mr Ali Besharati, Iran's First Deputy Foreign Minister, summed up the talks as "good and successful."

Detainees in S. Africa 'maltreated'

By Jim Jones in Johannesburg

THE Detainees' Parents Support Committee (DPSC), e group of parents whose children have been detained under South Africa's state of emergency, has released details of alleged maltreatment of detainees at Johannesburg's Diepkloof Prison at the start of a campaign to free all detainees.

The allegations are in the form of eopies of two memoranda enumerating examples of poor treatment of political prisoners. They are said to have been signed by 50 detainees and given to the prison authorities on January 24 for transmission to the Ministers of Law and Order and Justice.

No names were ettached to the memoranda, but the DPSC says that many of those who signed belong to organisations affiliated to the United Democratic Front (UDF), and several of them are under 18.

The memorandum addressed to the Minister of Justice alleges that detainees are inadequately fed and that blacks receive poorer food than whites, that those who do not eat pork are refused an alternativa ration, thet detainees are not provided with chairs and tables and are forced to squat on e cold cement floor to eat their food.

Brigadier Botha, in charge of Diepkloof prison, said yesterday he had no knowledge of any memorandum being handed to the prison authorities.

ANC talks mark British policy switch

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

THE MEETING in Lusaka on Monday between a senior British Foreign Office official and four representatives of the African National Congress (ANC), which is banned by the South African government, marks e clear change in British policy on South Africa.

The meeting, which took place in the margin of the conference of EEC and African "front line" foreign ministers, was the first official contact between Britain and the ANC. Until Monday, the British Government's position had always been that it would have no dealings with an organisation whose avowed policy was to use violence to bring about the democratic changes it was seeking in South Africa.

The Foreign Office was at pains yesterday to emphasise that the main purpose of the meeting between Mr John Johnson, an assistant under-secretary of state, with the ANC representatives was to convey to the latter London's concern with the escalation of violence in South Africa and the need for e dialogue between whites and blacks in that country.

The British Government also believed that the Commonwealth Eminent Persons Group, set up at last autumn's Commonwealth Conference in Nassau, represented an opportunity to break the deadlock and deserved the support of the ANC.

Two senior Commonwealth officials are presently in Cape Town to attempt to prepare the way for the visit to South Africa of this group, which comprises representatives from seven Commonwealth countries.

Behind the statements of officials lies the growing disillusionment of the British Government, not least of Mrs Margaret Thatcher, the Prime Minister, with the slow pace at which reform is proceeding in South Africa.

● The Zambian meeting ended yesterday with the adoption of a joint communique calling on South Africa to dismantle apartheid completely and to begin political talks with black leaders, AP reports from Lusaka.

The communique issued after the two-day EEC meeting with "frontline" states also stressed the importance of continuing international pressure on Pretoria. Such pressure was needed, the communique said, "to bring about the abolition of apartheid through peaceful means in the interest of peace and stability in South Africa itself and in the region."

The communique did not mention black states' support for the armed struggle by guerrillas in South Africa or Africa's mounting calls for mandatory economic sanctions.

"From the rich diversity of 18 nations we have found unity around the following propositions—that Apartheid must go, that it must go soon and that it must go in reality and not just in name," Sir Geoffrey Howe told reporters at the end of the meeting.

Botha speech 'will lead to economic growth'

BY JIM JONES IN JOHANNESBURG

DR Gerhard de Kock, the Governor of South Africa's Reserve Bank, believes that President P. W. Botho's speech at the opening of parliament on Friday has opened the wey for rapid growth and a substantial improvement in tho country's economy.

He warned, however, that the inflation rate would probably increase from December's 18.4 per cent *before moving down* in response to the recent improvement in the rand's exchange rate.

Addressing an investment conference organised by Frankel, Kruger, the stockbroking firm, in Johannesburg yesterday, Dr de Kock said that implementation of policies outlined in Mr Botha's speech would improve foreign perceptions of South Africa's socio-political and economic prospects.

This would facilitate foreign debt negotiations and ease *pressure on the capital account* of the balance of payments.

The Reserve Bank has not yet announced any specific monetary targets, Dr da Kock said, as it is awaiting Government's response to detailed targeting proposals made last year.

However, he claimed credit for the Reserve Bank for the fall to the rate of growth of M3 money supply to 10 per cent in November last year from 24.7 per cent a year before.

If economic growth was greater than expected in response to *Mr Botha's* speech, he said, interest rates might increase later this year to prevent money supply from rising too rapidly.

Reuter adds: a leading South African industrialist said yesterday that President Botha's speech last week promising reforms of apartheid race laws had brought South Africa back into the mainstream of Western thinking.

Mr Gavin Relly, chairman of the mining giant Anglo American, said Mr Botha had made a forward-looking and conciliatory speech, in which he set out "important principles on which to base the future socio-political development of our country."

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CONTINUING GROWTH FROM BASIC BUSINESSES.

China pledges not to increase oil exports this year

BY ROBERT THOMSON IN PEKING

THE CHINESE Government, in a major policy shift, announced yesterday that the country's oil exports will not rise this year, in what it says is a bid to "help stabilise" the world oil market.

In recent weeks Chinese officials have indicated that increased oil exports are an important part of the strategy to reduce the country's trade deficit.

Until now, there has been no public comment on the impact of falling oil prices on that strategy.

Zheng Dunxun, president of the China National Chemicals Import and Export Corporation, said the decision was "designed to promote a dialogue between Opec countries and non-oil-exporting countries."

Zheng registered his concern about the "drastic drop in oil prices" and said China "appreciates and supports the efforts by Opec to stabilise oil prices through negotiations with other oil producers."

China reported a trade deficit of $13.79bn or $7.6bn, depending on which Chinese department is to be believed.

In the wake of the deficit news, officials said oil exports would play an important role in balancing trade.

For the past year Chinese trade officials have been highlighting oil production as a particularly fertile area for foreign exchange earnings, which the Government hopes to use to bankroll needed imports of foreign technology and expertise.

Last year China's oil exports were worth just over $5bn or approximately a fifth of total export income.

The bulk of exported oil has gone to Japan, which China has been urging to increase its oil purchases as a means of reducing a large bilateral trade deficit.

China had hoped to increase annual oil production from last year's 124.8m tonnes to 160m tonnes by 1990. Chinese estimates put crude oil exports last year at 20m tonnes while exports of petroleum products were also said to have reached 20m tonnes.

Zheng said China had made much progress in its oil industry but that its oil would be "mainly used for domestic consumption" and only a "limited" amount was to be exported.

Japanese to make tractors in Spain

By Carla Rapoport in Tokyo

KUBOTA, Japan's largest agricultural machinery maker, is to produce tractors in Spain in a bid to help reduce trade friction between Japan and EEC countries.

The group plans to take control of the tractor division of Motor Iberica, Nissan's Spanish subsidiary, and move the operation from Barcelona to Madrid.

Kubota, which declined to confirm the size of the investment, said it hoped to be producing tractors at the Madrid site by the end of this year.

The new plant will represent the first overseas tractor production base for a Japanese manufacturer. Spain prohibits the import of tractors from Japan, but Spain's accession to the EEC means that the Kubota tractors can be sold to other EEC countries duty-free. The EEC charges a 9.94 per cent duty

Kubota said it already had agreed with Nissan to buy 20 per cent of the tractor division of Motor Iberica, with the stated intention of raising its stake to a controlling interest in the near future.

Kubota makes about 80,000 tractors a year, about half of which are exported. It sells about 5,000 to 6,000 tractors a year to Europe.

Paris presses for new shipping pact with Moscow

BY PAUL BETTS IN PARIS

THE FRENCH Government is hoping to negotiate with the Soviet Union a new bilateral shipping agreement which will give French cargo ships a fairer share of the substantial trade between the two countries.

In an effort to force Moscow back to the negotiating table, the French Socialist Government has given notice that it is planning to scrap a shipping agreement between the two countries signed in April 1967.

Under the agreement, the French Government has to give Moscow six months' notice of its intentions to abandon the pact.

But government officials in Paris stressed yesterday that there was no connection between the decision to give formal notice of withdrawal from the shipping accord and the expulsion of four Soviet diplomats from France on spying charges.

Officials said that Mr Roland Dumas, the French Foreign Minister, had warned Moscow that it planned to issue notice on the shipping pact at the beginning of this month if the imbalance in trade, heavily in favour of Soviet fleets, were not changed.

France is a large supplier of cereals and industrial goods to the Soviet Union which is a big supplier of natural gas to France.

Apart from the imbalance in the shipping business, France has also been complaining to Moscow about its trade deficit with the Soviet Union which rose to FFr 5.2bn (£433m) in 1984 from FFr4.2bn the year before.

Industry ministry officials said the imbalance in the shipping trade between the two countries had now reached about 90 per cent in favour of the Soviet Union and barely 10 per cent for France.

Under the original 1967 agreement, cargo transported between the two countries was due to have been equally distributed on a 50-50 basis.

France, however, was hoping that the new Soviet leadership of Mr Mikhail Gorbachev would improve France-Soviet trade and shipping relations.

But after failing to secure any new concessions from Moscow on the shipping issue, the French Government has decided to force the Soviet hand by giving notice of withdrawal on the shipping pact.

While France does not expect to achieve a 50-50 split, it hopes to secure terms which will give it at least about 30 per cent of the bilateral shipping business with the Soviet Union.

The French Government continued yesterday to play down the expulsion of the four Soviet diplomats, followed in Moscow by the expulsions of four French diplomats.

Although, at this stage at least, the expulsions are not expected to provoke a rupture in Franco-Soviet relations, they have led to a bitter reaction from the Soviet embassy in Paris.

Japan wins steel order

BY DAVID BARCHARD IN ANKARA

A CONSORTIUM of Marubeni end Nippon Kokan has won a $20m contract to supply machinery and equipment for a new public-sector iron and steel foundry at Sivas in central Turkey.

The consortium defeated six other bids from Italy, Japan, Romania and West Germany. Japan's Eximbank is to supply credit for the deal.

A second contract of around $80m will be awarded shortly for the turnkey erection of the plant which will produce up to 800,000 tonnes a year of steel products including bar and coil products.

The project is the first stage of an integrated iron and steel project at Sivas and will be followed eventually by the construction of a steel rolling complex which will manufacture up to 1.3m tonnes of rolled products a year.

The plant will be Turkey's fourth public-sector iron and steel mill. Plans to build it go back to the mid-1970s, but the project was dropped in the early 1980s as part of a cut in investments during the stabilisation programme.

Turkey produced about 4m tonnes of steel in 1984, about two thirds of it coming from the public sector, but imports were still around $800m. There is some surprise here that the Government has pressed ahead with the Sivas investment.

Shipyard in Singapore wins order

By Steven Butler in Singapore

KEPPEL SHIPYARD, Singapore's troubled state-owned marine group, said yesterday that its industrial engineering division had been awarded a S$26m ($12.1m) contract from Westinghouse Brake and Signal of the UK for projects connected with Singapore's huge Mass Rapid Transit (MRT) project.

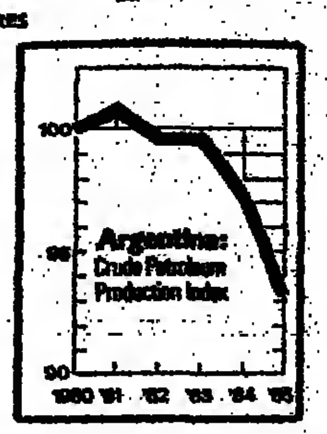
The work, involving installation, testing and commissioning of automatic train operation, protection equipment and track side equipment, will be completed in 1990.

Argentine oil tenders bring tepid response

BY JIMMY BURNS IN BUENOS AIRES

THE ARGENTINE Government's initial plans for attracting large-scale foreign investment to boost the country's oil production have met with a lukewarm response. This raises new doubts about Argentina's ability to sustain its self-sufficiency in energy resources.

Letters officially opened by the Argentine Energy Secretariat confirmed that the first international round of tenders for exploration and production in 17 onshore blocks in North-East Argentina have attracted bids from only four foreign companies. Only one, Shell, is a major.



The three other companies, which have concentrated their bids on only two blocks, are Argerardo, San Lorenzo Oil and Gas Corporation of the US, and BHP Petroleum of Australia.

This week, tenders for exploration and production in onshore and offshore blocks in northern and southern Argentina were expected to attract bids from Esso and Occidental Petroleum, which, with Shell, are already operating in Argentina.

Mr Conrado Storani, the Argentine Energy Secretary, predicted that the country's oil programme would make a positive contribution to Argentina's balance of payments.

The initial results, however, indicate that the Government is facing an uphill struggle attracting bids from between 20 and 30 international companies and a minimum investment of $1bn (£714m) over the next three years in a total of 164 onshore and offshore blocks.

President Raul Alfonsin announced last May that his ruling Radical Party would liberalise its attitude to foreign investments, to help cure the steady decline in domestic oil output rates.

A combination of a lack of clearly-defined national investment priorities, constant changes in government, and problems facing the state oil company, Yacimientos Petroliferos Fiscales (YPF), has meant that since 1970, Argentina's oil reserves have remained virtually unchanged at 2.4bn barrels.

Recently, production has only been able to meet domestic needs because of a sharp drop in consumption brought about by recession.

In 1985, Argentina's oil production fell by 4.2 per cent to its lowest level this decade.

Many foreign oil companies remain dissatisfied with the new formula for risk contracts approved by the Government last year. Although containing concessions on pricing and tax breaks, the formula is not considered generous enough, given the uncertainties pervading the international oil market.

According to some officials, all foreign companies would come forward if and when the Government defines more clearly the participation of YPF in future ventures, and the mix between local currency and dollars in cash transactions for crude produced.

The cautious response from oil majors has been privately welcomed by nationalist sectors within and outside Mr Alfonsin's Administration, as they fight to protect YPF's traditional dominance in the oil sector.

In the absence of a heavy overseas presence, the bulk of exploration and production work in the blocks on offer should go by default to YPF, justifying the company's offensive against budgetary cutbacks.

● Two oil groups presented four bids on three high-risk offshore oil areas at the end of a tender for 32 oil areas, officials of YPF said yesterday, Reuter reports from Buenos Aires.

Australia pursuing farm subsidy accord

BY WILLIAM DULLFORCE IN GENEVA

AUSTRALIA is looking to the new round of international trade negotiations to produce an early agreement on a reduction in agricultural subsidies, Mr John Dawkins, the Australian Trade Minister, said in Zurich.

It also wants to ensure that the approach to agricultural trade in the talks will be international and not a bilateral affair between the US and the EEC.

Mr Dawkins was commenting on information from Dr Clayton Yeutter, the US Trade Representative, that he will shortly meet Mr Frans Andriessen, the EEC Commissioner for Agriculture, to discuss the handling of agriculture in the trade negotiations. The US-EEC meeting will take place as soon as Mr Richard Lyng, the newly appointed US Secretary for Agriculture, has been installed.

Some countries with important farm-trading interests suspect that Brussels is seeking a deal with Washington over agricultural trade which could prejudice the handling of the issue in the global negotiations due to be launched next September.

The Australian trade minister, currently on a tour of Europe and North America, said it would be "terrible" if the US and the EEC, which dominate world trade in farm products, were to carve up markets between them.

He said he presumed that both would see a greater interest in winding down their costly farm-support programmes. A "burden-sharing" agreement between Brussels and Washington to reduce spending simultaneously could make the retrenchment politically more acceptable to their farmers and benefit other farm-trading countries.

The EEC was not only spoiling markets for other countries by its subsidised exports, it was also pursuing policies against its own interests, Mr Dawkins said.

John Dawkins: seeking an early agreement on farm subsidies.

A recent study by the Bureau of Agricultural Economics in Canberra indicated that the trade distortion resulting from EEC farm support was one factor, so far unconsidered, in explaining the EEC's poor industrial performance and high unemployment. The study suggested that without the farm support the number of jobs in manufacturing within the EEC could have been 750,000 to 1m higher.

The effect of the US export enhancement programme, aimed principally at winning back markets from the EEC, would be to depress prices worldwide for farm products, Mr Dawkins said.

The Australian Wheat Board had estimated that the cost of the three-year US programme could be as much as A$750m ($532m) for Australia, which would have no option but to follow the price reductions.

In Geneva yesterday the committee within the General Agreement on Tariffs and Trade (Gatt) preparing for the trade negotiations was about to start its second meeting. Australian was not a lone voice on agriculture within Gatt, Mr Dawkins said. It had been mobilising other members.

UK NEWS

MPs press for more evidence over Westland

BY PETER RIDDELL, POLITICAL EDITOR

THE GOVERNMENT faces further cross-party pressure at Westminster to allow key officials involved in the Westland affair to appear before the Defence Select Committee of the House of Commons. This is despite the agreement yesterday of Sir Robert Armstrong, the Cabinet Secretary, to give evidence today.

Members of the committee made clear yesterday that they would not necessarily be satisfied merely with taking evidence from Sir Robert. That might lead to further clashes with the Government.

The political controversy over the Prime Minister's handling of the affair, and, in particular, the partial leaking of the *Solicitor General's* letter to Mr Michael Heseltine a month ago, will continue. Senior ministers are worried about the damaging impact on the Government of such a row.

In an exchange of letters with the committee yesterday, Sir Robert said that the Prime Minister believed it was "neither fair nor reasonable" to expect the relevant officials in Downing Street and the Department of Trade and Industry to submit to a second round of detailed questioning in addition to the leak inquiry that he had conducted.

Sir Robert offered, however, to give evidence based on "the comprehensive account" given by the Prime Minister to the Commons and he hoped on the basis of his leak inquiry to deal "as *helpfully* as possible" with MP's questions.

In reply, Mr Robert Rogers, the committee clerk, emphasised that *the committee wanted* to *examine* the decision-making process. Consequently, the committee's request for the five named officials to attend at some stage stood.

Westland's shares, Page 11

Milk board urged to sell Dairy Crest

BY ANDREW GOWERS

BRITAIN'S independent dairy companies called on the Milk Marketing Board (MMB) yesterday to sell its commercial arm, Dairy Crest Foods and to co-operate with them in making a sharp cut in butter and cheese manufacturing capacity.

Such a move would constitute the biggest restructuring in the £3bn-a-year English and Welsh dairy industry since the MMB acquired 16 creameries from Unigate in 1979. It might threaten hundreds of jobs in milk processing factories.

The proposal came from the Dairy Trade Federation, which represents companies including Express Dairy, Unigate and Northern Foods. It is designed to put further pressure on the MMB to concede changes in its structure after the publication last week of a government-commissioned consultants' report which criticised the board's commercial operations.

The federation argues that the report proved that Dairy Crest, which had turnover in its last financial year of £900m and controls 70 per cent of all butter manufacturing capacity in England and Wales, does not operate on an equal footing with independent companies, as it is required by law to do.

The federation also claims that the report shows that the MMB, which is a co-operative owned by dairy farmers has abused its monopoly over milk supplies.

Anger in the heart of the motor sector

Arthur Smith assesses the mood among BL workers in the wake of the announcement that the group might be split and sold to US companies, a move seen by some as raising the spectre of job cuts.

CONFUSION and anger summed up the mood yesterday in the West Midlands, traditional heartland of the British motor industry, at the news that ownership of the best-known names in the region could be passing to the US.

At Longbridge, the Birmingham suburb that expanded in the inter-war years with the success of the Austin marque, there was surprise that Ford of Europe might be in talks to take over Austin Rover.

Leader of the 10,000-strong workforce – less than half the 1979 level – were demanding assurances about the future.

At Land Rover, a modern complex on the doorstep of the executive retreat of Solihull, the 8,500 workers were bemused to learn from Mr Paul Channon, the Trade and Industry Secretary, that negotiations about General Motors acquiring Leyland were well advanced.

Approaching the deprived inner city areas of Birmingham just a few miles to the north, workers at the Washwood Heath factory of Metro-Cammell-Weymann, a subsidiary of the Laird group, were trying to come to terms with the implications of the possible takeover of Leyland's coach and bus operations.

The depth of feeling in this proud manufacturing region was perhaps best caught by Mr Anthony Beaumont-Dark, a Tory MP and former stockbroker, who declared: "If BL is going to be sold like a bankrupt auction, we shall be left with nothing but Meccano sets in the heartland of this country."

The decline of the motor industry as the major employer has been traumatic. Less than a decade ago BL Cars had 120,000 manual workers, most of them in the West Midlands. Today, after the closure of 13 plants, Austin Rover has about 38,000 blue-collar employees, a sizable chunk of which are at the Cowley assembly plant in Oxford, west of London.

The Coventry-based Chrysler Corporation, acquired by Peugeot of France for a nominal $1 in 1979, has shrunk from a nationwide workforce of 30,000 to less than 5,000.

The components suppliers have also withered. Gone are famous names such as Wilmot Breedon. Rubery Owen, once the biggest privately owned engineering company in the UK, is now only a fifth of its size with about 2,500 workers.

The West Midlands, once the symbol of post-war prosperity, must appraise the possible sell-off of BL against a much more sombre background.

A recent submission by the five county councils in the region was unanimous in its view that the West Midlands suffered from the lowest economic growth in the UK in the past decade, the biggest increase in unemployment, the worst level of long-term jobless, the highest competition for limited vacancies and the greatest dependence upon manufacturing.

Attention was drawn to the 300,000 jobs lost since 1980, and the fact the unemployment rate had just risen from 5.7 per cent to 15.8 per cent over the same period.

Concern inevitably tends to focus on the predicament of Austin Rover. The company, complaining that strikes had held back sales in 1984, went flat out for the first six months of last year.

Output was boosted by nearly 60,000 to 257,000 cars. But the surge failed to yield a corresponding breakthrough in sales so schedules were cut and workers laid off.

UK market penetration, which needs to run at around 19 per cent to ensure profitability, slumped to little more than 14 per cent in December and is expected to be less than 17 per cent in January.

Dealers comment, somewhat cynically, that future poor performance can now safely be blamed on uncertainty over the Ford takeover.

West Midlands politicians, anxious about the prospect of rising unemployment and the consequent social problems, see the danger of a link-up with Ford as a potential problem of over-capacity and possible redundancies and closures.

Components suppliers have mixed views. There is a belief that the muscle of the US multinational could end the present damaging cut-throat discount war for sales in the UK market and offer greater continuity of demand. The present stop-go ordering hardly makes for profitable production.

An audible, albeit private, sigh of relief is sounded at the prospect of a Ford rather than a Japanese takeover of Austin Rover. There is growing concern that the more Austin Rover goes into collaborative ventures with Honda of Japan, the greater inroads Japanese suppliers will make.

UK components suppliers yearn for a solid home base from which to attack overseas markets and refrain from moralising about ownership of the assemblers. Acquisition of *Leyland* Vehicles by General Motors is seen as the pragmatic way to provide the much-needed market volume and investment backing for a viable UK truck industry.

General Motors' US dealer network is regarded as a potentially explosive way for Land Rover to break into the American market. There are undoubtedly reservations about the failure of Vauxhall motors to source from the UK but the hope is that the Department of Trade and Industry might extract meaningful safeguards.

Whatever the outcome of negotiations about disposal of BL the components sector will continue its drive for expansion in the growth markets of Europe and the US.

Traditionally Midlands-based companies, such as AE and GKN, provide casebook studies of how to concentrate on high-technology, high-profit products in order to diversify into overseas markets.

Lucas Industries, now a favoured stock, has embarked upon the same process. The electrical subsidiary, concentrated in the Midlands and supplying everything from batteries to starter motors, has almost halved its UK workforce to 12,000 over the past five years.

But there are fears of more job losses at Lucas, particularly in Birmingham. It is such concerns that bring warnings from the Midlands about the possible takeover of sections of BL.

UK NEWS

CBI proposes new agencies for inner cities

BY HAZEL DUFFY

A NEW TYPE of development agency, composed mainly of businessmen, is being proposed by the Confederation of British Industry (CBI) as a means of tackling the problems of inner cities.

The plan is the result of extensive consultation with businessmen throughout the country. It has been sent to the Prime Minister in advance of the announcement expected from the Government this week on proposals for the inner cities.

The creation of Urban Development Agencies (UDAs) is the central part of a package of proposals from the CBI designed to increase co-operation between the public and private sectors in rehabilitating the economic base of the worst-hit inner-city areas.

The proposals call for an extra £300m to be allocated to urban development – £150m to enhance the Derelict Land Grants scheme to make it more attractive to private developers and £150m to the Urban Development Grant (UDG) scheme. They are currently costing £70m and £40m respectively.

UDGs would be dispensed by local authorities and the proposed new development agencies in ways that would be more effective than direct grants, says the CBI. This would be done in the form of interest rate subsidies and guarantees on loans from the private sector, and low-interest direct loans.

The model for the CBI development agency idea is the Scottish Development Agency and specifically the success that it has had in the east end of Glasgow in restoring economic development and improving the environment.

The UDAs would not have the planning powers given to the development corporations in London Docklands and Merseyside – although reserve powers to set up such corporations should be provided if the UDAs have not been successful within two years, says the CBI.

They would have the power to undertake economic and environmental development projects – including acquisition, development, management and disposal of land and property – both directly and by supporting private and voluntary sector initiatives.

An agency would be set up for each part of a city designated in need of help. The agencies would be encouraged to compete with each other in attracting funds

Andrew Fisher looks at the Government's view of the fixed-link project

Channel tunnel benefits outlined

THE GOVERNMENT has begun talks with the Channel Tunnel Group-France Manche (CTG-FM) consortium aimed at limiting any environmental damage from the construction of a fixed link, it said in a White Paper (policy document) published yesterday.

The CTG-FM rail and rail shuttle scheme was chosen over its rivals, EuroRoute and Channel Expressway, partly because it caused fewest environmental problems. But the Government wanted more improvements to minimise damage to areas of scientific interest and natural beauty on the English coast.

Prevention of the spread of wildlife diseases such as rabies would also figure in further talks with CTG-FM.

The privately financed £2.6bn fixed link, due for completion in 1993, will benefit British industry, travel, and trade with continental Europe, which accounts for 60 per cent of the country's international trade, the White Paper said.

It would create 10,000 jobs in the UK, half in Kent, south-east England, but also further north. The £5bn EuroRoute bridge and tunnel scheme would have created more construction jobs, but the CTG-FM shuttle, carrying vehicles, would need more people to operate it than the drive-through road schemes.

While Britain's island status had often been an advantage, "today, it is a practical and economic hindrance to closer links with Europe."

Britain and France had chosen CTG-FM because it presented:

- The best chance of attracting finance.
- The fewest technical risks.
- Most safety for the traveller.
- No problems to shipping in the Channel.
- Least vulnerability to sabotage and terrorism.
- The smallest threat to the environment.

The two governments will sign a Channel Link Treaty on February 12. This will show their commitment to the project, provide for environmental protection and safety rules, deal with matters of national jurisdiction and set up arbitration procedures.

The link's operators will be entitled to compensation if there is political interference in the project or cancellation by either government. The treaty will also stress the fact that the link is a private sector project.

A bill will be introduced in the House of Commons this spring to clear the way for the link. It will be a hybrid bill, with provisions for public law and private law, directly affecting individuals and local interests and should become law in 1987.

The Government said the link would be a unique chance for British Rail (BR) to serve a large and growing market. BR and its French counterpart, SNCF, will provide services jointly. BR has said it will invest £400m in fast services to France and Belgium.

Customs and security controls will be completed before people board the shuttles and no stops will be required at the other end.

For fast through-trains controls will aim to minimise delays.

While the cross-Channel ferry fleet would fall, enough ferry capacity would remain for defence needs. The impact of the tunnel "is not likely to be such as to create insoluble problems for the ferry industry."

The consortium's forecasts showed a tunnel would lead to a drop in jobs dependent on Channel-crossing services at Dover and Folkestone by 1993 and a rise up to 2003.

Without a tunnel, those jobs would rise from 14,600 last year to 16,000 in 1993 and to 18,000 in 2003. With a link, they would drop to 13,000 in 1993 (9,000 in ports and ferries and 4,000 on the fixed link), and then rise by the year 2003 to 16,500 (5,000 of them on the link). But the Government accepts that Dover-French port routes would be hit.

If no link were built, total capacity would rise from 10,900 cars in 1984 to 13,500 in 1993 and 20,000 cars in 2003, with ferry numbers constant at 31 as their size increased. But with a link, the rise is expected to be only to 15,750 cars in 2003 after a slight dip in 1993.

Eurobridge, a £5.2bn scheme for a road bridge and rail tunnel, was rejected mainly on technical grounds, the White Paper said.

EuroRoute, £5bn and in the running for much longer, was considered bold and attractive. But it "would be environmentally very damaging."

It would create hazards at sea, have large technical risks, and be more susceptible to terrorist attack. It was expensive and although it had substantial backing, could have been harder to finance than CTG-FM.

Channel Expressway, the £2.6bn rail and road scheme, "would also involve considerable technical risks." There were doubts about boring wide road tunnels economically through the difficult geological conditions near France.

There were also doubts over ventilation for the road link. Without much more study, it was harder to predict the costs of the scheme than with CTG-FM and this made for greater uncertainty over investors' willingness to back it.

Improvements in road links to east Kent would be necessary to meet traffic needs, whether or not a fixed link was built. The Government would also consider proposals from Kent for help with meeting its own needs outside the trunk network.

The tunnel, the Government said, would be a valuable national asset. "It is now for financial markets to assess the historic opportunity presented by the Channel Tunnel Group's proposals."

The Channel Fixed Link. HMSO. £3.50

More industrialists found to take other directorships

BY MARTIN DICKSON

A GREATER number of senior industrialists are accepting positions as non-executive directors of other UK companies, according to a survey published today by Corporate Consulting Group (CCG), the management consultants.

There is also evidence of non-executive directors giving more time to the work, with 49 per cent of respondents giving two or more days a month, against 32 per cent in last year's survey, and 38 per cent giving under two days, against 60 per cent previously.

This is the fifth year that CCG has carried such a survey through a questionnaire of recently appointed non-executive directors.

It found that 74 per cent of respondents were also executive directors of other companies, against 64 per cent last time. About 56 per cent were either chairman or chief executive of another group.

The survey said that despite the changing attitude towards non-executives – with most public companies now recognising the usefulness of the role – the average annual salary drawn by non-executive directors was still not much over £5,000.

CCG said that the greater availability and experience of non-executive directors must benefit the companies concerned.

The survey found that boards were showing a preference for general rather than specialist skills: over 40 per cent of those appointed were generalists, against 33 per cent previously.

Respondents attached greater weight to their influence in strategic rather than specialist matters. Over 50 per cent of respondents, compared with a third previously, considered their input to have been greatest on organisation, acquisitions and other strategic issues.

CCG said a further significant change was an increase in regular access by non-executives to nonboard members, with two thirds claiming this against a third previously. However, one in five non-executive directors still admitted to having no such access.

Management, Page 14

Unions in merger talks

BY DAVID BRINDLE, LABOUR STAFF

MERGER talks have been held between the white-collar union Apex and the Transport Salaried Staff's Association, the union representing British Rail white-collar employees and travel industry workers.

A merger would create a 144,000-strong union with representation in many areas of the transport sector. Both Apex and TSSA emphasise that negotiations are at an early stage.

The impetus for the merger talks came from Apex, which has lost membership from a peak of about 150,000 to a present level of 95,000 and which has, as a consequence, lost its automatic seat on the Trades Union Congress general council.

TSSA has similarly lost almost a third of its membership and now claims 49,000. Mr Geoff Henman, the union's treasurer, has said the union is financially healthy and viable as an independent organisation.

Mr Roy Grantham, Apex general secretary, said yesterday that the two unions had much in common. They had both been founded in the 1890s, they had overlapping categories of membership and they shared similar philosophies

UK NEWS

Job scheme urged for long-term unemployed

BY ALAN PIKE, INDUSTRIAL CORRESPONDENT

INTRODUCTION of a job guarantee for all long-term unemployed people over a three-year period is recommended by the House of Commons employment committee in a report published yesterday.

The committee makes proposals for attacking the "major moral, economic and social problem" of long-term unemployment which it estimates would cost £3.3bn.

Conservative members of the committee joined opposition MPs in producing a unanimous report. But the initial reaction of ministers yesterday was lukewarm.

Mr Kenneth Clarke, Paymaster General and Lord Young's deputy at the Department of Employment, stressed that any special employment measures must be realistic and effective in terms of the economy as a whole.

"The committee is proposing several billion pounds of additional public expenditure," said Mr Clarke. "While more special measures may be necessary and it is right that unemployment should be *our number one priority*, it would be ironic if the cost to the economy caused greater damage to business and the jobs market in other ways."

In its report the committee argues that special employment measures represent the "best buy" for the Chancellor of the Exchequer on social and economic grounds, compared to alternative job-creation options like tax cuts and infrastructure investment.

The Government is already expanding its Community Programme for the long-term unemployed and, in addition to this, the committee recommends:

● A building improvement programme which would create 300,000 one-year jobs at, the committee calculates, a net cost of between £4,000 and £5,000 a job.

● Employment of 100,000 long-term unemployed people in the health and personal social services at an average rate of £120 a week.

● A £40-a-week wage subsidy, lasting a year, to employers in the private sector who take on long-term unemployed recruits, provided their regular workforce does not fall.

Long-term unemployed people recruited on the building improvement and health services schemes would, under the committee's proposals, be paid for a year by the Government's Manpower Services Commission.

The committee's report stresses the need for private sector involvement in the job schemes it is proposing – most of the present Community Programme places are provided by local authorities or charities.

There are about 1.8m people who have been unemployed for more than a year. The committee's £3.3bn costing of its recommendations is based upon the assumption that about 750,000 places would be needed – in addition to the Community Programme – to provide work for all the long-term unemployed who would be likely to want it.

Existing measures, says the committee, are not extensive enough. "Some people have reservations about special measures as a way of cutting unemployment", says the report. "They ask: if we are going to spend more, why not spend it through normal channels? The answer is that such expenditure would be unlikely to reach the long-term unemployed and particularly the very long-term unemployed."

Helicopter airport link backed by CAA

By Michael Donne

THE CIVIL Aviation Authority (CAA) has recommended that the helicopter link between London's Heathrow and Gatwick airports, which was due to end this month, should continue in operation. Mr Nicholas Ridley, the Transport Secretary, will take the final decision.

The CAA decision has been taken after its longest public inquiry, which followed the application by British Caledonian to continue operating the link. Over 2,000 objections and representations were made to the CAA.

The CAA said that continuation of the Airlink would bring benefits to airline users.

It argued that although the M25 motorway had improved road access between the two airports and enabled a high quality coach service to be introduced, "travel by road remains an imperfect substitute for many passengers."

It added: "Discontinuation of the Airlink would cause BCal to lose valuable revenue of the order of £2m–£3m per year from long-haul passengers presently making connections at London, and the public to lose the choice of another mode of transport between the two airports."

● British Airways yesterday completed safety checks on all 15 of its oldest Boeing 747 jets, with no further evidence of fatigue cracks in the forward fuselage ribs.

The safety checks had been requested by the US Federal Aviation Administration on all 747 jets with over 10,000 landings after the discovery of cracks in ribs close to the windows of four jets.

Small voters hold Westland key

Lionel Barber charts a shareholders' path through the equity maze surrounding Britain's troubled helicopter maker

THE FUTURE of Westland, Britain's ailing helicopter maker besieged by two rival rescue plans, is likely to be decided by small shareholders at next Wednesday's extraordinary general meeting in London.

At the meeting the Westland board will call for approval of its favoured rescue plan put forward by Sikorsky, the US helicopter maker, and Fiat of Italy, on a simple majority vote.

Since Sikorsky/Fiat and its supporters speak for just over 30 per cent of Westland and the rival European aerospace consortium and its backers command just under 30 per cent, the outcome of the meeting will depend largely on how small shareholders vote.

The constant reshaping of the rival rescue plans for Westland in recent weeks has left many shareholders confused. To add to this confusion, the European members of the consortium and its adviser, Lloyds Merchant Bank, last week launched a tender offer for just over 20 per cent of Westland's equity at 130p a share.

These twists and turns are characteristic of the Westland affair, described by Mrs Margaret Thatcher, the Prime Minister, as "stranger than fiction."

A layman's guide to the tactics of the main players and how the small shareholder can find a way through the maze would include the following considerations.

● The consortium and the tender offer: This is aimed specifically at the wavering small shareholder who wants to take cash at an attractive market price above what he or she could reasonably expect to gain in the short term.

If the offer succeeds in attracting at least 20 per cent of Westland's equity, then that figure, coupled with the votes commanded by the consortium's supporters such as Mr Alan Bristow (17 per cent), United Scientific Holdings (5 per cent) and Lloyds Merchant Bank (5 per cent), would be enough to sink the Sikorsky/Fiat rescue, providing of course that neither Mr Bristow nor United Scientific Holdings tender part or all of these shares.

But the tender offer needs to attract shareholders who own at least 20 per cent of Westland's equity. On some calculations, this would require small shareholders representing at least two thirds of the (so far) uncommitted 35 per cent of Westland's shares, a high figure. If the offer fails to hit the magic 20 per cent mark it lapses.

The result of the offer will be declared on Monday. Shareholders are entitled to tender their shares and to lodge their votes in favour of Sikorsky/Fiat, although the tender offer, if it succeeds, would assume preference.

For example, if the tender captured exactly 21 per cent of shareholders' votes, then anyone who had tendered his or her shares would not be able to vote those shares in favour of Sikorsky/Fiat.

If the tender drew 25 per cent support, those shareholders supporting it would have their shares scaled down on a pro rata basis with the balance of 4 per cent available to be voted at the meeting.

However, if the tender failed to secure 20 per cent, shareholders failing to lodge proxies would be ineligible to vote unless they attended next Wednesday's meeting.

The Westland board is therefore urging shareholders to lodge proxies even if they are tendering their shares: if the tender lapses vital shareholders' votes could be lost. To allay fears of ballot box confusion the company registrar will check the shareholders' register to stop double votes being cast.

● The Westland board and Sikorsky/Fiat: Until the consortium's tender offer, Sir John Cuckney, Westland's chairman, was relatively confident that he could secure a 50 per cent majority vote in favour of Sikorsky/Fiat. On present sums this is by no means clear.

Sir John can count on Sikorsky (9.9 per cent) and presumably Hanson Trust, the UK industrial holding company (15 per cent). At least two mystery buyers, who have purchased their shares through Westland's brokers, Rowe & Pitman, account for perhaps 4 per cent.

But to reach a 50 per cent majority of votes cast for the Sikorsky/Fiat rescue, Sir John needs the support of M&G, the fund management group (7.5 per cent), and at least a third of small shareholders.

Sir John has warned that if the Sikorsky/Fiat proposal to recapitalise Westland and to take a minority stake in the company is blocked, the helicopter maker faces the appalling prospect of stalemate.

Although this may appear alarmist, it is a possibility if both rival camps remain entrenched in their bitter opposition to each other.

For example, the Anglo-European consortium, comprising British Aerospace, the General Electric Company, Aérospatiale of France, Messerschmitt-Bölkow-Blohm of West Germany and Agusta of Italy, would control around 27 per cent of Westland if the tender succeeds.

But the votes garnered through the tender would not be eligible to be cast at a future extraordinary general meeting to consider the rival consortium rescue.

This arises from Westland's interpretation of the London Stock Exchange rules on Class Four transactions, which say, in effect, that substantial shareholders (holding more than 10 per cent of a company) cannot vote those shares in favour of a resolution in which they have a direct benefit.

The Europeans believe, however, that a second defeat for the Westland board next Wednesday (following a defeat at an extraordinary general meeting on January 17 where an earlier Sikorsky/Fiat rescue failed to secure the necessary 75 per cent majority), would leave Sir John and his colleagues with no option but to resign.

According to this view, Sikorsky would throw in an already well-worn towel and Hanson Trust (whose interest in helicopters and helicopter manufacturing has been questioned) would sell up, leaving the door open to the Europeans to take a minority stake in Westland and end the affair.

But this confident projection presumes a great deal, not least that Sir John and Sikorsky would lose their appetite for a dogfight which has now gone on for nearly six weeks.

It also fails to take account of the motives of Mr Alan Bristow, the former helicopter operator who, with 17 per cent, is a key player.

Mr Bristow, a fervent opponent of Sikorsky/Fiat, has spent more than £10m in recent weeks increasing his shareholding in Westland. He could make a turn on his shares by tendering them to the consortium, but this is highly unlikely because it would remove him from the game.

Instead, Mr Bristow is likely to gamble that the tender succeeds, and the Sikorsky/Fiat rescue is blocked.

If the Westland board resigned he would be well placed to demand a key post in the company, something he has coveted since he launched an £80m City of London consortium bid last summer and then abruptly dropped it when he discovered Westland's parlous financial position.

Mr Bristow has said he would consider the post of chairman if it were offered to him, but the European consortium has yet to pronounce a view on this, not least because they could be accused of acting in concert with him to defeat the Sikorsky/Fiat rescue.

Norsk to close factory

By Tony Jackson

NORSK HYDRO, the Norwegian oil and chemicals group, is to close its fertiliser plant at Avonmouth, near Bristol, west England, with the loss of 340 jobs. The decision follows the announcement last autumn of an £80m investment at the group's main UK fertiliser plant at Immingham on Humberside.

The Avonmouth plant, which was built in 1936, has a capacity of 200,000 tonnes of straight nitrogen fertiliser and 80,000 tonnes of granular compound. The last investment in the plant, bought by Norsk from Fison in 1982, was in the late 1960s.

Norsk said that the decision to invest at Immingham had raised doubts about the Avonmouth works, but the group had called in Arthur Young, the accountancy firm, to study the options. It had been concluded that the plant had no future.

One factor in the decision had been the cost of docking raw materials at Avonmouth. Norsk imports large quantities of ammonia and phosphate rock: the group said that docking charges at Avonmouth were £7 a tonne against £2 at Immingham.

The closure will leave Norsk with UK fertiliser capacity of 1.2m tonnes, made up of 1.1m tonnes at Immingham and 100,000 tonnes at Goole, in Humberside, north-east England. Norsk said there were no plans to close Goole.

The group said its UK capacity would now enable it to satisfy its UK market share of 20 per cent, to the extent that it wanted to be self-sufficient. Fertiliser would still be imported from sister companies in continental Europe.

The slump in fertiliser demand in 1985 had brought forward the Avonmouth decision. Norsk said that since the new capacity at Immingham would not come onstream until next year, it would normally have envisaged running Avonmouth until then. But the chaotic state of the market had made it uneconomic.

Unit trust group to end commission

BY CHARLES BATCHELOR

WESTAVON, a small Bristol-based unit trust group, is to cease paying the 3 per cent commission that usually goes to its sales agents in a move it believes will hasten a change in the way trusts sell units to the public.

By dropping the commission payment, Westavon will reduce the initial charge levied on investors to 2 per cent of the value of unit trusts bought from 5 per cent.

The level of initial commissions charged by the unit-trust industry has been the source of controversy, with critics saying they are too high.

The Unit Trust Association said that between 15 and 20 of its 105 members did not charge commissions. The companies involved, however, are mostly linked to stockbrokers or life assurance companies with their own distribution channels.

Some unit trusts have cut their commission rates to make their units more attractive to investors, while others give discounts to people who respond to press advertisements.

Mr Paul Bateman, marketing director of Save & Prosper, a leading unit trust group, said: "This is an interesting development from a company which does not have its own network of intermediaries. It is a strong move towards the direct marketing of unit trusts."

Mr John Funnell, chairman of Westavon, said: "This is the year of the Big Bang in the City when commissions are in the spotlight. We feel the trend for financial advisers must be towards a fee-based service rather than commission-based.

"We think the 3 per cent commission is excessive and unnecessary. The industry has to go this way."

Investors in the Westavon unit trusts will still pay a 2 per cent initial administration charge and a 1 per cent annual management charge.

Highfield Commodities wound up by court

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

HIGHFIELD COMMODITIES, a City of London commodity company alleged to have been involved in a $12m conspiracy to defraud US investors in strategic metals, was compulsorily wound-up by the High Court yesterday.

The order was made on a petition by the Trade and Industry Secretary, who had asked that the company be wound-up in the public interest.

The court had been told by counsel for the Trade Secretary that Highfield had been "conceived and operated as a simple conduit of fraud."

About 89.5 per cent of the money received from hundreds of investors had been shared by Highfield and its US sales associates in the form of grossly extortionate fees, commissions and alleged expenses.

The Official Receiver, who was appointed provisional liquidator of Highfield in January 1984, said that it had a £3.125m deficit of liabilities over assets.

The company's two principal directors, Mr David Whitfield and Mr David Harrison, owed it over £880,000, Mr Harrison's personal liability being in excess of £705,000.

In addition, other companies associated with Mr Whitfield and Mr Harrison owed Highfield more than £858,000, the Offical Receiver told the court.

Highfield was not represented at the hearing. The court was told that, although the company did not consent to a winding-up order being made, it did not oppose the petition.

Company Announcements

The board of GODSELL L.O.A. are pleased to announce the following appointments with immediate effect.

Director: Kevin Cumbers

Associate Directors: Richard Jones, John Squires, Trevor Thorman

Company Notices

M. L. HOLDINGS p.l.c.

ORDINARY SHARES OF 25p

7% REDEEMABLE PREFERENCE SHARES OF £1

NOTICE IS HEREBY GIVEN that the Transfer Books and Registers of Members will be CLOSED on 24th February, 1986.

By Order of the Board A. P. SMITH Secretary

Clubs

Personal

BASE LENDING RATES

ABN Bank	12½%
Allied Dunbar & Co.	12½%
Allied Irish Bank	12½%
American Express Bk.	12½%
Amro Bank	12½%
Henry Ansbacher	12½%
Associates Cap. Corp.	12½%
Banco de Bilbao	12½%
Bank Hapoalim	12½%
Bank Leumi (UK)	12½%
BCCI	12½%
Bank of Ireland	12½%
Bank of Cyprus	12½%
Bank of India	12½%
Bank of Scotland	12½%
Banque Belge Ltd	12½%
Barclays Bank	12½%
Beneficial Trust Ltd	13½%
Brit. Bank of Mid. East	12½%
■ Brown Shipley	12½%
CL Bank Nederland	12½%
Canada Permanent	12½%
Cayzer Ltd.	12½%
Cedar Holdings	13%
■ Charterhouse Japhet	12½%
Citibank NA	12½%
Citibank Savings	¶12½%
City Merchants Bank	12½%
Clydesdale Bank	12½%
C. E. Coates & Co. Ltd.	13%
Comm. Bk. N. East	12½%
Consolidated Credits	12½%
Continental Trust Ltd.	12½%
Co-operative Bank	*12½%
The Cyprus Popular Bk.	12½%
Duncan Lawrie	12½%
E. T. Trust	13%
Exeter Trust Ltd.	13%
Financial & Gen. Sec.	12½%
First Nat. Fin. Corp.	13½%
First Nat. Sec. Ltd.	12½%
■ Robert Fleming & Co.	12½%
Robert Fraser & Ptrs.	13½%
Grindlays Bank	‡12½%
■ Guinness Mahon	12½%
■ Hambros Bank	12½%
Heritable & Gen. Trust	12½%
■ Hill Samuel	§12½%
C. Hoare & Co.	†12½%
Hongkong & Shanghai	12½%
Johnson Matthey Bkrs.	12%
Knowsley & Co. Ltd.	13%
Lloyds Bank	12½%
Edward Manson & Co.	13½%
Meghraj & Sons Ltd.	12½%
Midland Bank	12½%
■ Morgan Grenfell	12½%
Mount Credit Corp. Ltd.	12½%
National Bk. of Kuwait	12½%
National Girobank	12½%
National Westminster	12½%
Northern Bank Ltd.	12½%
Norwich Gen. Trust	12½%
People's Trust	13½%
PK Finans. Intl. (UK)	13½%
Provincial Trust Ltd.	13½%
R. Raphael & Sons	12½%
Roxburghe Guarantee	13%
Royal Bank of Scotland	12½%
Royal Trust Co. Canada	12½%
Standard Chartered	12½%
TCB	12½%
Trustee Savings Bank	12½%
United Bank of Kuwait	12½%
United Mizrahi Bank	12½%
Westpac Banking Corp.	12½%
Whiteaway Laidlaw	13%
Yorkshire Bank	12½%

■ Members of the Accepting Houses Committee.

* 7-day deposits 8.70%, 1-month 9.30%. Top Tier—£2,500+ at 3 months notice 12.06%. At call when £10,000+ remains deposited.

† Call deposits £1,000 and over 9% gross.

‡ Mortgage base rate.

§ Demand dep. 8¼%. Mortgage 13%.

THE BRITISH CAR MARKET

A year of record sales—and imports

By Kenneth Gooding, Motor Industry Correspondent

NEW CAR sales in the UK reached a record 1.83m last year, while imports also rose to their highest level—1.065m. So any company—particularly an importer—which suffered a fall in volume in such buoyant conditions has cause for concern.

Nissan, now firmly established in fourth place in the UK new car sales league, dropped into the "losers" list in 1985. The Japanese group's new car assembly plant in the UK comes on stream this summer so *Nissan must have hoped* to end 1985 on a more upbeat note.

There was no cause, either, for celebration by Britain's "big three"—Ford, Austin Rover and General Motors, the Vauxhall-Opel group.

Ford retained market leadership in 1985 but for the second year in succession ended up among the "losers" in that both its sales volume and market share fell from the 1984 level.

BL's Austin Rover subsidiary, while among the "winners" last year, remained far from the 20 per cent market share it once hoped for.

And, although GM achieved record sales and market penetration, the pop of Champagne corks was distinctly muted because the company did *not reach the targets* it set itself at the beginning of 1985.

As for Nissan, its UK volume is, in effect, controlled by the Japanese Ministry of International Trade and Industry (MITI).

Car shipments from Japan are restricted by the gentlemen's agreement between the UK and Japanese motor industries. Allocations to each manufacturer within the total quota are made by MITI by reference to the performance of individual companies in the recent past.

However, there is ample evidence that Nissan had to scramble hard last year to sell all the cars it was allocated.

For example, Nissan registered several thousand cars last year even though there were no final customers for the vehicles to ensure all its 1985 allocation was used up and that MITI did not cut its quota this year.

This process, called "pre-registration," is used by many companies when they want to make their shares of the car market—which in the UK are measured by reference to registration statistics — look better than they otherwise might.

Austin Rover employed the tactic in December, when its market share sank to only 14.25 per cent. This month the company offered the cars to employees with no-interest finance (on top of the usual employee discount of 18.5 per cent) as an incentive to buy the 1985 cars.

The pre-registration ruse is frequently employed by car dealers wanting to reach registration targets and thus retain the manufacturer's confidence or perhaps win a juicy bonus.

But it is an expensive business. A pre-registered car has to be sold as a "used" vehicle at well below the list price for a new one.

According to industry gossip, Ford dealers did more than their fair share of pre-registering in December. But their efforts were not enough to prevent a marginal fall in Ford's registrations for the year and, in turn, another 1.33 percentage points drop in penetration to 26.5 per cent.

Ford achieved a record market share of 30.49 per cent in 1982 but since then it has been in decline.

When Ford stopped production of the Cortina, for many years Britain's best-selling car, in 1982 and replaced it with the Sierra, General Motors seized its opportunity.

The fleets, which buy about half the new cars in Britain, found GM's rival to the Sierra, the Vauxhall Cavalier, particularly attractive. The Cavalier opened the door to the fleets for GM which was then able to persuade many of them to buy other models in its range.

GM has lifted its share from 11.69 per cent in 1982 to 16.56 per cent last year, when the market was fragmented as never before.

In 1985 no individual model accounted for more than 9 per cent of total registrations whereas the Cortina regularly won 11 to 12 per cent.

Britain's best-selling car last year, Ford's Escort, is smaller than the old Cortina. In the motor industry it usually follows that the smaller the car, the smaller the profit.

Ford hoped—even expected—that the Sierra would match the Escort's sales performance in the UK. However, opinion remains split about the car's styling. The Cavalier now comes closest to the Escort's 8.58 per cent with a 7.33 per cent share of total sales, whereas the Sierra was the fifth best-selling car with 5.5 per cent last year.

The Ford Fiesta takes third place with e 6.77 per cent share and then comes the Austin/MG Metro, 6.48 per cent.

If the Sierra is the weak link in Ford's line-up, the same can be said of Austin Rover's Montego which the company hoped would provide it with a desperately-needed breakthrough into the fleets.

Austin Rover banked on the Montego taking more than 6 per cent of total UK new car sales but instead in 1985, its first full year, the model managed only 4 per cent.

A great many Montego registrations were made at the expense of another Austin Rover model, the Maestro, which fell from sixth to 10th place in the best-sellers list. The Maestro's target was 5 per cent of the market, but it achieved only 3.1 per cent.

So one need look no further than the disappointing performance of these two key models for Austin Rover's failure to reach the 20 per cent market share it set itself.

The company had to pull out all the stops to win its marginal gains in volume and share last year. *Austin Rover's aggressive* discounts and bonus schemes helped keep the car price wars raging as fiercely as ever.

During the peak sales month of August, for example, Austin Rover offered dealers special incentives enabling them to collect an extra £675 on some Montego models to supplement their usual profit margin — if they reached previously-agreed sales targets.

At the same time, Vauxhall was offering its dealers an extra £350 on some Cavaliers and Ford an extra £250 on some Sierras.

These dealer incentives must have contributed to the record sales.

The Society of Motor Manufacturers and Traders argues that, *judged* by the standards of other European countries such as West Germany, France and Italy, at least 2m new cars a year should be registered in the UK. The society continues to call on the Government to *take action to allow demand* to reach that "natural" level.

But the Government remains to be convinced that extra demand does not simply suck in extra car imports. Last year's performance by the UK-based producers did not help change its view.

Imports topped 1m for the first time in 1983 and last year moved up again to record volume and a record share: 1.065m and 58.11 per cent.

Within that total Japanese sales also reached e record volume—198,355—although, in the spirit of the gentlemen's agreement, the Japanese share was kept within sight of 11 per cent of the market at 10.82 per cent, down from 11.11 per cent in 1984.

Once again Ford remained the leading importer with 214,099 cars from its Continental factories among those registered last year, up from 208,053 in 1984.

Ford imports last year were no less than 11.68 per cent of the total UK market and 44 per cent of the company's UK sales.

General Motors' imports also *rose in volume, from* 165,116 to 168,709 last year, equivalent to 9.2 per cent of the market and 55.6 per cent of the company's registrations.

In the circumstances, it was possibly unfair of the Government to single out GM for criticism about the level of its car imports and the UK content of those vehicles—Mr Leon Brittan, then Trade and Industry Secretary, went so far as to hint Vauxhall might no longer deserve to be called a "British" company.

But Ford's volume of imports was well above GM's, while the other UK-based multinational, Peugeot Talbot, last year built in Britain only 30 per cent of the cars it sold there. The success of the "supermini" Peugeot 205, made in France, helped the group maintain its market share at *4.03 per cent* in a difficult year.

Peugeot Talbot discontinued production of Horizon, Alpine and Solara models in the UK last year to make way for the Peugeot 309, due to be launched shortly from the Ryton, Coventry, factory.

Both Ford and GM promised to build more cars in Britain in future. By the end of 1985 their efforts to do so were showing up in the registration statistics. Mr Brittan withdrew his criticism of GM and congratulated the company on its new proposals.

GM's progress in the UK slowed considerably last year. At the beginning of 1985 the company predicted it would sell 315,000 cars and take 18 per cent of a forecast 1.75m registrations.

Instead, its registrations reached 303,473 and, as the market was much higher than it forecast, its share moved up only slightly, from 16.17 to 16.56 per cent.

This experience has not discouraged GM from making confident forecasts for 1986. *Vauxhall's chairman, Mr John* Fleming, says he is looking for a further increase of about 10 per cent in his sales this year to 330,000 cars in a total market *of between* 1.75m and 1.8m. "That will give us an 18 per cent share."

The extra sales are expected to come mainly from a new model which plugs a gap in GM's range, the Vauxhall Belmont, a direct competitor for the Ford Orion.

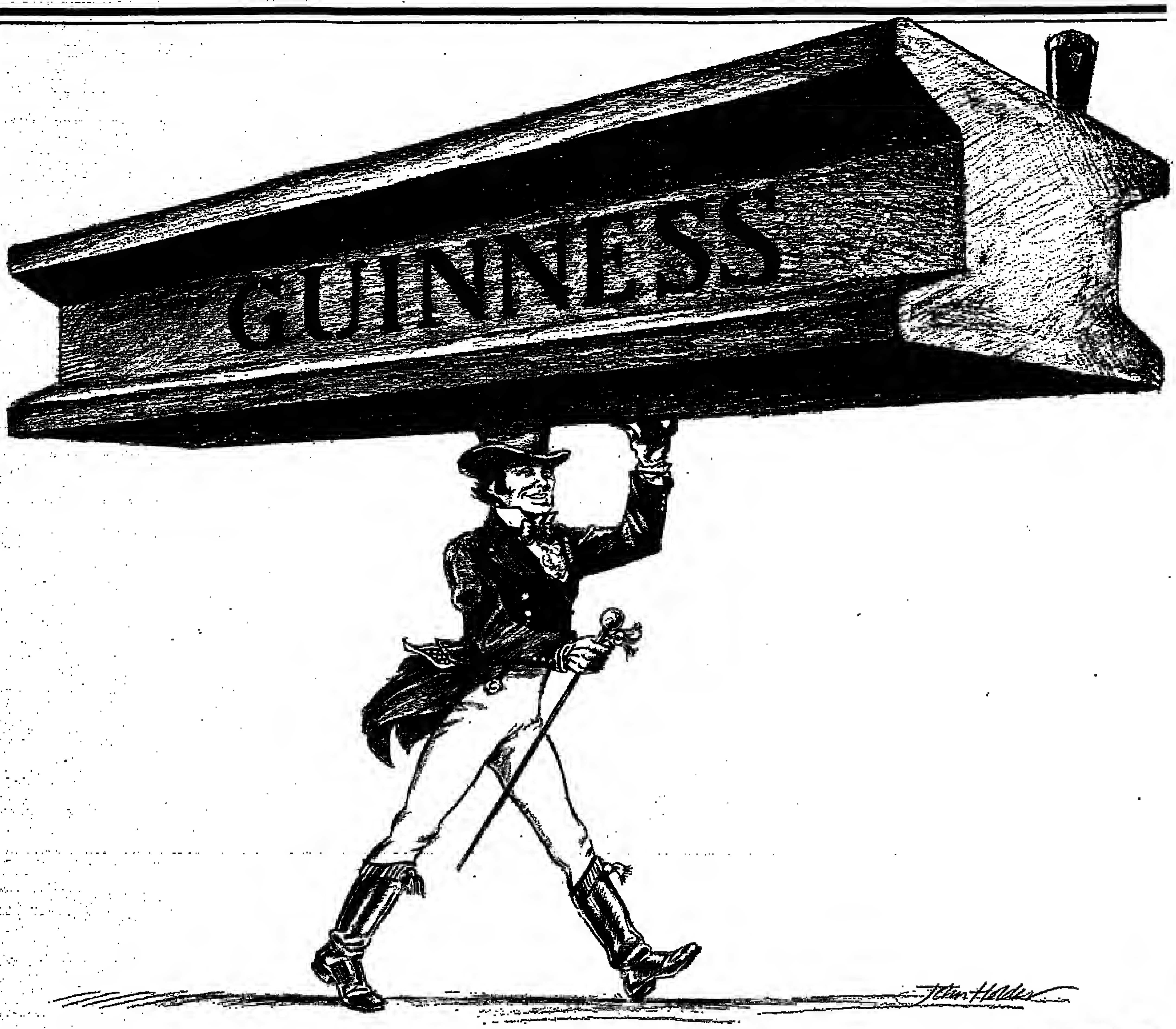
GM took second place in the car market, ahead of Austin Rover, for four months out of 12 last year. In 1986 the US group should be neck-and-neck with the BL company all the way.

Austin Rover is unlikely to give ground without a fight. Ford will want to celebrate a decade of UK market leadership with an increase in share this year. Mr Fleming admits: "The battle for sales in 1986 will be as intense as last year."

THE UK CAR MARKET

Company	Country	1984 Registrations	1984 Mkt. share	1985 Registrations	1985 Mkt. share
WINNERS					
BL	UK	312,054	17.84	327,985	17.90
BMW	W. Germany	25,785	1.47	33,450	1.83
Citroen	France	24,562	1.40	27,478	1.50
Fiat Auto	Italy/Poland	47,563	2.72	54,460	2.97
FSO	Poland	5,419	0.31	6,158	0.34
General Motors (Vauxhall/Opel)	W. Germ./UK/ Belg./Spain	282,835	16.17	303,473	16.56
Jaguar/Daimler	UK	7,544	0.43	8,049	0.44
Lancia	Italy	2,639	0.15	3,077	0.17
Mercedes	W. Germany	14,437	0.83	18,086	0.99
Mitsubishi	Japan	10,557	0.60	11,589	0.63
Peugeot/Talbot	France/UK	70,518	4.03	73,835	4.03
Reliant	UK	105	0.01	625	0.03
Renault	France	59,779	3.42	70,622	3.85
Rolls-Royce/Bentley	UK	630	0.04	710	0.04
Subaru	Japan	3,673	0.21	3,815	0.21
Suzuki	Japan	3,391	0.19	3,959	0.22
Toyota	Japan	32,702	1.87	34,722	1.89
Zastava	Yugoslavia	6,190	0.35	7,953	0.43
Volks./Audi	W. Germ.	96,603	5.52	103,877	5.67
EVEN					
Honda	Japan	18,916	1.08	18,984	1.04
Hyundai	S. Korea	4,989	0.29	5,159	0.28
Lada	USSR	15,033	0.86	15,314	0.84
Lotus	UK	547	0.03	554	0.03
Porsche	W. Germany	3,114	0.18	3,438	0.18
Volvo	Sweden/Holl.	59,072	3.38	59,549	3.25
LOSERS					
Alfa Romeo	Italy	4,266	0.24	3,093	0.17
Daihatsu	Japan	4,779	0.27	4,567	0.25
Ford	UK/W. Germ./ Belg./Spain	486,971	27.83	485,620	26.5
Mazda	Japan	17,505	1.00	17,172	0.94
Nissan	Japan	106,360	6.08	105,517	5.76
Panther	UK	238	0.01	54	0.00
Saab	Sweden	8,835	0.50	8,375	0.46
Skoda	Czechoslovakia	11,023	0.63	9,884	0.54

Source: Society of Motor Manufacturers and Traders.



FOR A STRONGER SCOTCH JUST ADD GUINNESS.

Scotch whisky is one of our leading exports. Over 16,000 jobs depend on it.

Johnnie Walker & Co. must be made stronger if they are to win the fight for overseas sales.

There is opposition from the Far East, America and Canada.

Each has its own thriving whisky brands. And powerful international corporations to market them.

Scotch whisky needs a similar champion. And our merger with Distillers would create one.

Time and time again Britain has failed to wake early enough to the challenge from overseas.

The alarm bells are now ringing on the world whisky market.

Help us respond. Support the Guinness Distillers bid.

GUINNESS PLC

Guinness and Distillers. A stroke of genius.

This advertisement is published by Morgan Grenfell & Co Limited and The British Linen Bank Limited on behalf of Guinness PLC. The Directors of Guinness PLC are the persons responsible for the information contained in this advertisement. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in this advertisement is in accordance with the facts. The Directors of Guinness PLC accept responsibility accordingly. SOURCE: Scotch Whisky Association.

UK non-executive directors

Flexing more muscle in the boardroom

Martin Dickson reports on the way that shifts in management philosophy have affected trends in corporate stewardship

"Came in on the old boy network—probably resign as a non-executive director when we abolish the drinks cabinet"

HE IS an old school chum of the chairman. An amiable enough old buffer, but his only contribution to board meetings is the occasional semi-comatose grunt. In fact, the only company news that really jerks him into life is the boardroom luncheon menu.

This caricature of the British non-executive director as a gourmandising gadfly, flitting from free company lunch to lunch, remains deeply embedded in the popular imagination.

A decade ago it contained a very larga element of truth. To some extent it still does. But all the evidence suggests that the quality of non-executive directors has undergone a major change for the better in the last few years and, in tandem with this, non-executives have assumed e greater importance in the corporate power structure

The changa is underlined in a survey published today by Corporate *Consulting* Group, the management consultants, which shows that most companies now recognise the usefulness of non-executives, and that more chairmen and chief executives are becoming non-executive directors on the boards of other companies. Non-executives are also devoting more time to their duties.

The potential power they wield has been graphically demonstrated in recent months by Lord Keith of Castleacre, who as a non-executive director has lead boardroom coups at both STC, the troubled telecommunications company, and at Beecham, the pharmaceutical and consumer product group.

"Non-executive directors," says the acerbic Lord Keith, playing on words, "should be properly paid and expected to pay attention. They should get to know the company, the people who run it, and play a really useful role."

The new emphasis stems in part from the rigours of the last recession, and the realisation that companies cannot afford to carry boardroom passengers.

But more important has been a long-term change in management philosophy. John Scott-Oldfield, senior partner of Corporate Consulting, points out that a decade ago there was a strong lobby for legal reform of top management structures, with calls for American-style two-tier boards and codified accountabilities.

"Now, however, that has been superseded by e more pragmatic approech, which seeks to make more effective use of the unitary board. And the case for the *strong unitary board depends* largely on tha role of the non-executive director, whose importance is second only to that of tha chairman."

The resulting drive to improve both the quality and quantity of non-executive directors has been given the weighty backing of tha business establishment. In 1982 a group of leading institutions, including the Bank of England and tha Confederation of British Industry, set np PRO NED, a non-profit making organisation to promote the use of non-executive directors. "In the past, many businessmen just didn't understand the need for them," says Douglas Strachan, PRO *NED's director.* "*That is* now dying out rapidly."

Freshness

Why are non-executives thought so necessary? First, to give the board additional knowledge and expertise, and a freshness and objectivity towards corporate strategy that is likely to be lacking in line managers involved in the day-to-day running of the group.

Second, to give an independent view when conflicts of interest arise—particularly between directors and shareholders—and in specific areas of company business: advising *the chairman on succession*, setting the remuneration of directors, or taking part in andit committees.

Third, acting as a sounding *board for the chairman (or line* managers) independent of the management structure.

"The task of a chairman, like anyone else on a summit, is e lonely one," says Sir Austin Bide, who has just retired as chairman of Glaxo, the UK pharmaceuticals group. "The ability to talk with non-executive colleagues can be invaluable, particularly in a critical situation."

Though there certainly has been a marked shift in the general attitude to non-executives, there seem few grounds for complacency. A glance through the Directory of Directors still *shows many individuals with* long lists of directorships, and there must be doubts ebout how effectively some can perform such e variety of duties; and tha very existence of PRO NED also shows much proselytising still needs to be done.

A far from sanguine note was struck last summer by the Bank of England in a survey* of non-executives on the boards of 410 of Britain's biggest companies (which presumably heve tha highest standards). It found that 60 per cent of them had three or more non-executives, whereas in 1979 this was true of only half. But that left two companies in five with under three, and one in 20 had none.

Yet PRO NED and *many* management consultants argue that there should be at least three non-executives on the board of large companies, thus forming a "critical mass" that cannot be ignored.

Some argue that the ideal is parity, or even a majority of non-executives—a practice in the UK confined mainly to banks, building societies and some other financial institutions. In the US, with its two-tier executive structure, it is normal to have a majority of non-executives on the main board.

The Bank of England said its study provided no evidence that the trend towards the greater use of non-executives was gathering pace. And it added that "these findings raised some doubts about the adequacy of the present approach, based on *argument and persuasion, to*wards extending the use of non-executive directors."

But even if a company wants to increase the number of its non-executives, finding the right people to fill this extremely delicate function is difficult and time-consuming. Corporate Consulting, in a guidance pamphlet† issued in conjunction with its survey, says each non-executive should be selected with the same thoroughness as an executive director, including the drawing *up of an ideal specification and* the proper screening of potential candidates.

One of PRO NED's services is an agency that has placed 164 non-executives in companies over the past three and a half years. It maintains e register of nearly 1,000 potential non-executives and, though some chairmen consider the list too establishment-orientated, requests for directors are pouring in, from companies large and small.

"We're very choosy about whom we admit to tha register," says Strachan. He adds that, though difficult to generalise, the ideal candidate will have a strong business background, including several years on the board of a public limited company (PLC) and "high personal calibre—the ability really to contribute to a board." Some *specialists are also in demand*—bankers, retired accountants, lawyers and entrepreneurs. There is also evidence of an increasing demand for women *directors.*

A much more pronounced trend is for the senior managers in one company to take on one or two non-executive jobs in other, *non-competing businesses.* Many argue that it is people like this, rather than retired executives or specialists from outside the business *world, who make the best non*-executives, while the donor company also gains from a broadening of experience among its senior managers.

ICI, for example, now positively encourages main and divisional board members to taka up non-executive posts. Sir John Harvey-Jones, the current chairman, was the first ICI *director to be permitted to take* an outside directorship, back in the 1970s when he joined the board of Reed International. His sole external directorship now is at Grand Metropolitan, the hotels, brewing and leisure group.

He *says:* "We are an inbred company. Most of us have spent *our lives in ICI. Non-executive* posts give us experience of a totally different type, though hopefully we pay our way. Onc might be in a company that is the target of a takeover, or has cash flow problems. These are experiences we would rather learn at someone alse's expense."

Deliberation

ICI goes to great trouble to find the right person to fill non-executive gaps in its own main board: it spent a year of deliberation and negotiation before the appointment In 1985 of Shoichi Saba, chief executive of Toshiba, as the first Japanese non-executive director of a major British company.

What companies should not do, says the new conventional wisdom, is appoint non-execu*tives from* among the *ranks* of former employees and its professional advisers—solicitors, merchant bankers and so on, who might find it difficult to remain independent in a crunch.

Nevertheless, the practice remains widespread; tha Bank of England report expressed disquiet that at lcast one in three non-executives in its survey was serving, or had served, their companies in another capacity.

Another thorny issue is how much to pay the new director. On the one hand, says conventional wisdom, the non-executive should not compromise his independence by relying on his fee to make ends meet. On the other, there ought to be clear recognition of the importance of the role.

Corporate Consulting's pamphlet suggests that a good guide for fees is 10 per cent of the chief executive's renumeration, with a minimum of £8,000 in the case of a small PLC. But its own survey suggests that the average is still not much over £5,000.

The acid test of all these precepts is wbether strong non-executives can produce a significant change in e company's performance and strategic direction. It is all but impossible to establish any objective, *statistical test.*

In the US, one recent study‡ tentatively supports the argument that boards dominated by non-executives perform better than those that *are not.*

Obviously, in extreme cases strong non-executives can trigger major changes in a company's management — as demonstrated *recently* at STC and Beecham — but more subtle pressure may go undetected by the outside world.

Exerting such pressures can be made much more difficult if the company follows the widespread British practice of combining the roles of chairman end chief executive in a single individual. Although there are many companies where this can work successfully — as it seems to under the current ICI regime — the danger is that the chairman may simply be too powerful to be challenged.

The current trend seems to be towards a division of the roles. "In retrospect," argues Lord Keith, "an all-powerful chairman and chief *executive is* a bad thing. Splitting the function does prodnce checks and balances and I think this is going to be more prevalent."

It is, then, perhaps significant that onc of tha most public boardroom rows involving non-executives in recent months sbould be over the role of a chairman/chief executive.

At London International, the consumer products group formerly called the London Rubber Company, and best known for its contraceptives, three out of five non-executive directors resigned last autumn in protest over the board's majority decision to elect Alan Woltz, the chief executive, to the adritional post of chairman. It was a striking display of non-executive independence —albeit in defeat.

** Bank of England Quarterly Bulletin June 1985. † Non-executive Directors in Perspective. Corporate Consulting Group, 24 Buckingham Gate, London SW1E 6LB. ‡Boards of Directors. Charles N. Waldo £35 Quorum Books, available from Euroscan, 3, Henrietta Sreett London WC2E 8LU.*

BUSINESS PROBLEMS

Capital Gains on premises

In 1969 I started a retail business in freehold premises which I had bought at the same time, trading as a sole trader. The goodwill value of the business is now about £35,000.

I have contemplated selling the business but not the premises, buying another vacant property in a different location and starting another type of retail business.

Could you please spell out the Capital Gains Tax implications/options as they appear horrific to me. Am I effectively locked in where I am until age 60?

Surely tba amount of money at stake justifies the cost of an accountant (as well as a solicitor) to guide you through the tax pitfalls. The chargeable gain on the sale of the goodwill can be rolled over into the cost of the new premises, in principle. The free leaflet CGT11 (Capital gains tax and the small businessman) may be of some belp, but bear in mind the date of publication on the copy you receive.

Not a real redundancy

I have an employee who has been in my shop since 1944 and is 57 years old. Her eyesight has deteriorated over the years and she is now a registered blind person. I would like to do my best for such a long-serving employee.

Please would you tell me if it would be possible and advantageous to declare her redundant now? How much would she get?—her gross pay is £77 per week.

If she was made redundant could she claim unemployment benefit and for how long? Could I take her back on a part-time basis after a period?

It seems that what you propose would not involve a genuine redundancy, in which case the contribution from the Redundancy Fund would not be available, and you might be liable for unfair dismissal.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Television/Christopher Dunkley

The magnetism of video

The most unusual programme currently on British television is *Ghosts in the Machine*, a six-part series exhibiting the work of "video makers" compiled by John Wyver for his independent company Illuminations and transmitted at annoyingly inconsistent times by Channel 4 late on Tuesday nights. The last in the series goes out next Tuesday, at a time different from all the others. However, if it is half as interesting as its predecessors it will be worth hunting down.

That is not to suggest that everything in the series has been of a consistently high standard. On the contrary, since one of the great strengths of video is that it involves the expression of a high degree of individuality it comes as no surprise to find yourself not only liking some elements more than usual, but disliking others with similar fervour.

For instance there have been tapes in this collection marred by the minimalist notion that "less means more" (a fly photographed in black and white on a kitchen table) and others which have suffered from the affected modern belief that art is anything the artist says it is (scenes of a man carrying tea-things into a suburban garden).

One tape was of a fly photographed in black and white on a kitchen table . . .

There have also been tapes which could have fitted into perfectly conventional programmes, such as last night's "Made for TV" parody in which Ann Magnuson ran the game of broadcast television from newsreader — "Soviet missiles rumoured to be headed this way. *More at six*" — to a crazed female pop star called Lena Hagendazovich wafting around in a long white frock. It was funny enough, and will no doubt serve Magnuson ideally as a showreel, but you can imagine Pamela Stephenson doing much the same thing for *Not the Nine O'Clock News*.

So how do you distinguish between "video art," or plain "video" as it tends to be called now, and normal television? It *seems to me that whereas television* programme makers generally tend to serve a commercial system producing material to fill slots and fulfil a given set of demands ultimately aimed at maximising *audiences (true not only of ITV* but of the BBC, what with *EastEnders*, *Dynasty* and *Blakety Blank* video makers mostly behave like old-fashioned painters or poets. They have something they want to express and *somehow they* acquire the means to do so. If their work is then taken up by a powerful patron and reaches big audiences, so much the better, but if not they continue to make videos.

The second characteristic of video people is an interest in television not only as a channel but as raw material: to them, electronic imagery is as interesting as paint was to 19th-century landscape artists. Just as painters experiment with different combinations of pigment and different brush techniques, so video makers experiment with shape and colour on magnetic tape, and with combinations of picture and sound.

The result can be weird, as with "Transition One" in the first programme where a man appeared to be cutting a hole in his back and climbing through it head-first. It can be oddly beautiful and tantalising as in "The Reflecting Pool" last night in which a man leaping into a pool was frozen in mid-air even though the water continued to move. And of course it can be irritating, as in the Programme 3 item "Why Do Things Get in a Muddle?" which looked and sounded as though it had been shot with the actors speaking and moving backwards and then shown in reverse.

Admittedly the motives for such experiments are not always those of the high-minded *and disinterested artist. Much* of the most technically advanced video work in the past five years has appeared in rock promo tapes, and the first edition of *Ghosts in the Machine* included an item called "René and Georgette Magritte *with* Their Dog after the War" which, as far as I could tell, was simply (well, all right, anything but simply) a video promo for a Paul Simon record. As such it could well turn up on *The Tube* or even *Top of the Pops* and is therefore not, as I see it the optimum example of what Wyver is after.

What he *is* after, I take it, is "O, Superman," an extraordinarily haunting piece of work shown in Programme 2 in which a woman named Laurie Anderson sang a song about her mum, and force, and American planes, with an accompaniment which seemed to come from Sparky's Magic Piano. There were one or two interesting technical effects — notably a sequence showing Anderson's head back-lit against a dark background with brilliant light, like the sun, streaming from her mouth—yet this was not a showcase for technological virtuosity.

Even less so was Spalding Gray's contribution to last night's programme, "A Personal History of the American Theatre." Indeed technically speaking there was nothing here which could not have been done by any of us with a home video camera. Gray sat at a desk with a box of flash-cards bearing the titles of plays he had (so he said) appeared in, selected them at random, and then talked about the productions off the top *of his head*.

The whole thing could have been scripted and learnt like any set of lines, but I suspect that Gray really is a practised raconteur who has told these stories often enough to be able to deliver them without hesitation at the drop of a flashcard. Either way it does not really matter since the result was very funny. Wyver's justification for including the piece in his series was presumably that it would not have appeared anywhere else.

And that, surely, brings us to the most important characteristic of these video works, the quality which makes *Ghosts in the Machine* not only the most unusual series on British television but perhaps the most important: the very fact that these video-makers are deliberately ignoring the traditional formats and accepted styles of television and setting out to exploit the vast unused potential.

The results can feel odd at first. We are so used to narrative, or at least some form of chronological sequence, so inured to didacticism, so accustomed to having our hand taken by a reporter or anchorman, so familiar with the "rational" structure of all programmes from documentaries to cartoons, so conditioned to the belief that time *is* "valuable" and should *not be "wasted"* that when all these factors are removed we *feel deeply uneasy*.

These video-makers are ignoring traditional formats and styles . . .

Sometimes the content of the videos is actually an attack upon the values of broadcast television. *The Eleventh Hour* "Video series last autumn (also on Channel 4) included a hilarious sequence of stop-motion photography depicting a couple of soft toys — smiling monkeys — involved in vigorous and explicit sexual coupling, up to and including "soixante-neuf." Without a word it questioned and undermined the sexual prudery of mainstream television.

Sometimes — especially in "scratch video"—the attack is upon assumptions about mainstream content or style, or both. "Der Western Lebt" in Programme 3 of *Ghosts in the Machine* consisted solely of two sequences intercut at almost subliminal speed, showing the driving wheel of a locomotive and a couple embracing, accompanied by the staccato sound of bursts of escaping steam. It is not what we have hitherto regarded as "a television programme" but then when Roy Lichtenstein's "As I opened fire . . ." appeared in 1964 it was *not* what we had *hitherto* regarded as a painting.

We owe Wyver a vote of thanks for producing this fascinating collection, and Channel 4 a roar of encouragement for transmitting it—though in the end there is surely something paradoxical about mainstream television collecting all this oddball material, packing it into 50-minute parcels, squeezing it into a conventional schedule, and transmitting it over an antiquated "broadcast" system . . .

Simpson's violin sonata/Wigmore Hall

Dominic Gill

Pauline Lowbury and her accompanist Christopher Green-Armytage commissioned a violin sonata from Robert Simpson, who finished the work in 1984. On Monday evening Miss Lowbury gave the first performance. It's a substantial, lyrical sonata in three movements, about 20 minutes long. The opening, almost Bartokian solo flight launches into—or more aptly, and explosively, sets off—a chain reaction based on two themes, one fast and vigorous, the other more expansive, whose energy does not abate until the first movement's final bars.

That first movement, even at first hearing, has a remarkable grip: a tough counterpoint of energies and cross-currents that falls breathless, suddenly and sadly, only in its final phrase. I *should guess that in a more* eloquently pointed performance, the following two movements — a set of five variations and a ricercar played without a break — would be of unusually telling effect. The momentum never falters, and ends, this time without a hint of sadness, with a tremendous bouncing thump. When Miss Lowbury and Mr Green-Armytage have it perfectly under their fingers, they will begin to look more closely into the textures and the harmonic relationships, and into the dramatic ebb and flow.

Miss Lowbury began her recital with a good, but plain account of Beethoven's A minor sonata op. 23—recited rather than articulated, and somewhat prosaic in its impulse. Her warm, easy violin tone is not much varied; the sound, as much as the interpretation, lacks focus. Mr Green-Armytage was a solid and capable, but not colourful accompanist, consistently a little overpowering. At the relative dynamic level he chose, it would have been wiser to close the piano lid instead of raising it on half stick.

Fernando Bujones as Colas

Fernando Bujones/Covent Garden

Clement Crisp

In its 26th year at Covent Garden, *La Fille mal gardée* looked very fresh on Monday evening in matter of decoration: Osbert Lancaster's designs seem new painted, and as felicitous as ever. The ballet looked even fresher thanks to the presence of Fernando Bujones as a guest Colas, in the first of two appearances he is making with the Royal Ballet.

This paragon of male classic dancers can do no wrong in displaying Ashton's choreography, nor in filling the character of the young farmer with a boyish and wholly irresistible charm. Nothing is forced, in technique or acting, and the role shines new minted thereby. His aristocratic utterance—steps cut with purity and joyous energy; the dance large in scale, beautiful in outline—is marvellous to behold. Each phrase, each position, has that rarest of qualities, true classic distinction.

The sunlight that floods through this masterpiece seems imprisoned in Mr Bujones' performance, which has the virtues one seeks in the academic style: nothing unclear or fudged, every least physical incident given its full value in muscular power and harmony of proportion. It is, I would hazard, dancing as unflawed as we dare hope to see.

As an interpretation it is marked by sweetness of nature and lightness of touch: this Colas may be playing at being a farmer, but with what grace does he do so. The relationship with Lise (Lesley Collier) is untroubled and merry, and there are sudden moments of good sense — the tiny shrug Mr Bujones gives when he comes down the stairs from Lise's bedroom, as if to say "Well, what did you expect from two people in love?" — which argue an excellently-judged view of the character.

The surrounding performances were the standard Royal Ballet readings. Miss Collier seemed happier in the second act than the first, ending the ballet on a note of bubbling gaiety. Brian Shaw and Garry Grant were the Simone and Alain, and Leslie Edwards was irreplaceably Thomas as he was on January 28 1960, and delightful now as he was at that unforgettable premiere. If the evening had another hero it was Jonathan Burrows, making a quick-footed Cockerel in Act 1 and turning up as a tremendously eager Notary's clerk in Act 2, creating a tiny, mad world for himself which was splendid to see. Mr Bujones can be seen again as Colas tonight.

John Bull's Other Island/Arts, Cambridge

Michael Coveney

The Cambridge Theatre Company is at the Arts, Cambridge, *for* two weeks with a revival of Shaw's only play to be set in Ireland that is more brave than successful, more prosaic than compelling. What Yeats called "a geographical conscience" purveys the action and debate as the civil engineers, Broadbent and Doyle, descend from London on the rural Catholic community of Rosscullen in 1904. A mortgage has been foreclosed and the land, in every sense, must be sorted out.

This complex and fascinating comedy is performed less often than its modern reputation demands. A Mermaid Theatre revival in the early 1970s was something of a revelation. The production by Bill Pryde and Stephen Rayne for the CTC is honest and painstaking but a little stodgy. It does, however, elucidate the main themes of exile and colonisation.

These themes are cunningly distributed by Shaw among his leading trio: Tom Broadbent, the ebullient stage Englishman who believes in Home Rule under English guidance; Larry Doyle, the returning Irishman, who wants to live in a country where the facts are not brutal and the dreams not unreal; and the mystical defrocked Catholic priest Peter Keegan, a philosophical antecedent of Shotover, who is displaced in not only his parish but the world.

Broadbent is confidently played with the right amount of unconscious absurdity by Jeremy Sinden, but I found both Des McAleer's Doyle and Kenneth Farrington's Keegan short of passion and poetry. In one of the few works by Shaw that actually throbs, this is to be regretted. Doyle is a particularly subtle creation, one of Shaw's rare studies in emotional guilt, and while Mr McAleer (a disconcerting *Jeffrey Archer* lookalike) can handle the disgust at his nation's political sentimentality, he does not convey the pain he causes him or, indeed, his feelings in that context for Nora Reilly.

Nora (Veronica Roberts) is the £40-a-year heiress who bewitches Broadbent the moment he spots her in the Rosscullen gloaming. Ambivalence and anxiety surround Doyle and Keegan, but Broadbent blusters in, falling in love with the scenery and the local manners, embarking on a parliamentary campaign in that infamous car ride with a pig (Barney Doran's hilarious account of it is superbly delivered by the gargantuan Declan Mulholland) and building to a mundane vision of hotels and golf links in the shadow of the round tower.

The specific social issues of Home Rule, the Land Acts, the general Gladstonian political optimism over Ireland, are somewhat faded but do define the perimeters for deeper dramatic argument. The play lives, of course, because of its effervescent satire on racial and religious stereotypes and, especially, its discussion of nationality and homing instinct.

Max Beerbohm commented on a mellowing sense of Shavian dubiety in this play without any loss of the author's special genius for ratiocination. We see in Rosscullen a landless labourer, a priest who converses with grasshoppers, a community betraying its identity to a famous businessman. The world is upside-down and Peter Keegan makes sense of it only by retiring from the fray.

Mr Sinden, puffy and comical in grey tweeds and plus fours, is developing a comic personality different from his father's but similarly fraught with delayed reactions and basilisk stares. James Berwick, Shay Gorman and Peggy Marshall are notably authentic denizens of Rosscullen, and Desmond McNamara a devastatingly analytical batman on tour. Poppy Mitchell's design of a London office yielding to the slate grey sky and green assembly of Irish steps and mounds is efficient rather than attractive.

After Cambridge, the show moves to Harlow (February 17-20), Bury St Edmunds (February 24-March 1), and Darlington (March 3-8). These locations will no doubt, like Cambridge, be receiving the play for the first time. Audiences can ill afford to look such a gift horse in the gob, even if he bobbles a little.

Alastair Muir

Marsha Millar and Rudolph Walker

Alterations/Stratford East

Martin Hoyle

The Guyanese writer Michael Abbensetts has a nice line in good-humoured quirkiness. Whatever their struggles, grievances or aspirations, his characters are without rancour. Occasionally they seem unsuitably eager to lapse into variety-type gagging. "My wife left me 12 years ago." "I'm sorry." "How do you think *I* feel?" Not always successfully.

"These days it seems every other black man in London thinks he can act," someone exclaims in exasperation in the East End sweatshop that Walker has set up. Possibly; but we see only the familiar faces of such established black actors as Rudolph Walker, Allister Bain and Jim Findley. Their popularity lends a certain freewheeling sit-com relaxation to the playing, which adds to the unfocused, slightly disjointed, effect of this revised comedy first seen at Hampstead in 1978.

Walker is driven by ambition. He loses his family and estranges his girl-friend over 48 hours in which he has to shorten (by six inches!) a consignment of trousers for the Japanese market. (The resultant garments appear to be designed for Ken Dodd's Diddy-men).

What his easy-going partner from Jamaican days fails to realise is that Walker sees his own shop as a symbol of racial besides personal independence. "Making money is the best revenge I know," he replies to the black teenager Courtney who, when not snarling and glaring as the male equivalent of the terrible maid in *Hay Fever* (Gary Beadle has a vivid face that goes a long, long way) seethes—none to convincingly—with resentment at being young in Britain today, let alone black.

If this character seems contrived, he is naturalism itself compared with the swaggering fantasies of Horace, the disastrous part-time machinist, a black Munchausen who sees himself, among other things, as "film" director and actor, and who, though portrayed as a figure of unlikely farce, is suddenly revealed as the successful rival for Walker's alienated wife.

The best performance comes from Mr Bain as the pawky, disapproving partner whose apparent conservatism conceals personal integrity and racial solidarity. The character is more consistent than that of Walker, played by Rudolph Walker of television's *Black Silk* fame and more at ease with charm than growing bitterness. "There's always an extra price," Walker says wearily, surveying the pyrrhic success of his assignment. His final cry of "I've beaten you, you bastards," hints at a tougher and grittier play.

Steve Addison's direction evokes uneven acting; Marsha Millar's wife falls far below the professional level of her male colleagues, and Peter Halliday fails to bring the stereotype Jewish businessman to life. Jenny Tiramani's set, solid chimney-stacks lowering over the clutter of rag-trade trappings in a skeletal attic, seems to be awaiting a more substantial play to fill it.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Jan 31–Feb 6

Theatre

LONDON

The Scarlet Pimpernel (Her Majesty's): Donald Sinden in resplendent plummy-voiced form as Baroness Orczy's one-man resistance movement to the French Revolution. Opera director Nicholas Hytner's efficient and sparkish production has smoke, tumbrils, rat stew and rolling heads. (930 4025).

As You Like It (Barbican): Much improved since last year's Stratford-upon-Avon season, Adrian Noble's loosely Edwardian production now emerges as a secret-garden adventure where Rosalind (Juliet Stevenson) has the sisterly devotion of Celia (Fiona Shaw) threatened by Orlando (Hilton McRae). A superb Jacques from Alan Rickman. The RSC Barbican repertoire also includes a fine Othello with Ben Kingsley and, in The Pit, Christopher Hampton's absolutely breathtaking, unmissable version of Les Liaisons Dangereuses (628 8795).

The Cherry Orchard (Cottesloe): Wonderful NT production by Mike Alfreds includes the scene Stanislavsky cut. Ian McKellen as Lophakin, Sheila Hancock as Ranevskaya, Hugh Lloyd as Firs, Edward Petherbridge as Gayev, Roy Kinnear as Simeonov-Pischik, Eleanor Bron as Varya. Sheer bliss and very funny. (928 2252).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act, Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Guys and Dolls (Prince of Wales): The 1982 National Theatre production has arrived in the West End, if anything improved by the new casting of Lulu as Miss Adelaide and the notably well sung black Sky Masterson of Clarke Peters. Richard Eyre's production and John Gunter's affectionately lavish designs complement this most joyful and literate of musicals, a fitting tribute to the recently deceased co-librettist Abe Burrows (930 8681).

Torch Song Trilogy (Albery): Antony Sher plays Harvey Fierstein's four-hour triptych of the life and loves of a drag queen fighting for emotional and domestic stability. Truthful playing has the effect of cruelly exposing Fierstein's tackily uneven writing. (836 3878).

Gigi (Lyric): Unconvincing stage revival of Lerner and Loewe's film follow-up to My Fair Lady, Beryl Reid rising inimitably above the material, Jean-Pierre Aumont and Sian Phillips lending more conventional support. John Dexter directs, Jocelyn Herbert designs. (437 3686).

Interpreters (Queen's): Love among the diplomats, according to Ronald Harwood has a superb role for the matchless Maggie Smith renewing a cross-cultural affair with Edward Fox in the shadow of a summit between The Soviet Union and Britain. Fluent direction by Peter Yates of the West End's best new play of the year. (734 1166).

Lennon (Astoria): A not too critical celebration of the life and music of John Lennon that is enjoyable especially for the musical resourcefulness of the cast and Mark McGann's Lennon look-and-sound-alike. (734 4287).

Are You Lonesome Tonight? (Phoenix): *More musical hagiography* with Alan Bleasdale's Elvis Presley show using flashback and excellent live recreations of the rock and roll hits to explain how Martin Shaw's magnificently wrecked and flabby King in crushed velvet jumpsuit has reached this pretty pass. Exploitative, but not strictly for tourists. (836 2294).

Les Misérables (Palace): Notably well sung and spectacularly produced rock opera from the Nickleby and Cats team of Trevor Nunn, designer John Napier and lighting man David Hersey, Colm Wilkinson superb as Jean Valjean. A melodramatic distillation of Hugo, and none the worse for that. The French score is rousingly melodic, with serviceable new lyrics from Herbert Kretzmer. (437 5834)

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

NEW YORK

As Is (Lyceum): The first play about AIDS makes gestures toward the whole community the disease affects and focuses effectively on the victim and his protective lover; but this Circle Rep production also has distracting artistic touches to patch over the play's lack of development once the disease is diagnosed. (239 6200).

Cats (Winter Garden): *Still a sellout*, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): In moving to Broadway, Herb Gardner's touching, funny and invigorating play about two oldsters retains its stars, Judd Hirsch and Cleavon Little, who almost conquer the world when they think they are just bickering with each other. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

WASHINGTON

Restoration (Arena): Edward Bond's combination of contemporary politics and 18th-century high jinx with music by Nick Bicat is directed by Sharon Ott of the Berkeley Rep. (488 3300).

TOKYO

Noh: Performances at most of Tokyo Noh theatres at weekends. Details in Tokyo English dailies and Tour Companion available at major hotels. Two handy little books, A Guide to Noh and Guide to Kyogen, in most hotel bookstores, give summaries of plots.

RSC announces 1986 season

The Royal Shakespeare Company's new theatre in Stratford-upon-Avon, the 430-seater Swan, will open on April 25 with a production of *The Two Noble Kinsmen*, credited to John Fletcher and William Shakespeare. A controversial and rarely performed play, it has been allowed into the Shakespeare canon only in recent years.

The Swan, financed by a mysterious secret benefactor, is devoted to plays by Shakespeare's contemporaries, and in its first season will present *Every Man in his Humour* by Ben Jonson; *The Rover*, by feminists' favourite playwright, Aphra Behn, and *The Fair Maid of the West* by Thomas Heywood, *a great hit in its day*. Trevor Nunn made clear yesterday that the Swan would not take a reverential attitude to its repertoire.

There will be five new productions at the Royal Shakespeare Theatre. Michael Bogdanov returns to direct after a seven year absence, taking on *Romeo and Juliet* with Sean Bean and Niamh Cusack. This opens the season on March 31, and is followed by Terry Hands's new production of *The Winter's Tale* with Jeremy Irons as Leontes. Irons returns in November as *Richard II* against Michael Kitchen's Bolingbroke in Barry Kyle's production.

The other two new productions are *A Midsummer Night's Dream*, and, in November, *Macbeth* with Jonathan Pryce and Sinead Cusack. A feature of the Stratford season will be the first play directed there by the RSC's joint artistic director Trevor Nunn for years: he is producing *The Fair Maid of the West*.

The Other Place at Stratford features three world premieres—*Flight* by David Lan, *The Art of Success* by Nick Dear; and *Country Dancing* by Nigel Williams.

The RSC is also staging many new premieres in London, starting on March 29 at the Barbican with *Mephisto* by Ariane Mnouchkine, built around experiences of a theatre company in inter-war Germany. Other new works include *The Danton Affair* by Pam Gems whose last RSC work, *Camille*, is still playing at the Comedy in the West End, and, in The Pit, *Death of a Fascist* by Michael Hastings and *A Question of Geography* by John Berger: both plays have strong political and personal themes.

The RSC is also negotiating two West End transfers—for *Les Liaisons Dangereuses* and *Golden Girls*, and will continue to tour *Nicholas Nickleby*: after six weeks at the *Theatre Royal*, Newcastle it goes on a 10 month tour of the US. *Richard III*, for which Antony Sher picked up many awards, visits Australia for nine weeks from May. Main sponsors for the RSC this season will be Nat West, Royal Insurance, Ladbroke, BP and British Telecom (North East).

Antony Thorncroft

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Power play by the Saudis

IT WOULD be premature to dance on the grave of Opec's cartel, even though the meeting of its special committee in Vienna broke up with obvious disagreement. The game now being played by Saudi Arabia, with the support of some of the hard-liners in Opec, is a difficult and perhaps dangerous one, not only for debtor countries like Mexico and Venezuela, but also for some of the poorer Opec countries.

Yet if there were doubts in December, there can be none now that Saudi Arabia intends to force the oil price down to a level which it hopes will persuade other producers within and outside Opec to "see sense" with some agreement to limit production.

It is equally clear that the chance that Opec can reassert its former power over pricing, with or without the help of others, is fairly slim for the moment. So tho announcement yesterday that a full ministerial meeting of Opec has been called for the middle of March will do little to reassure markets in which spot oil prices have beeo losing as much as $1 per day.

It is becoming clear that market forces, which have been unleashed by tho Saudis, have exerted an awesome power, which may well batter down the Opec price structure much further than many people oxpected oven a few months ago. In real or constant dollar terms the price of oil was raised tenfold between 1972 and the autumn of 1979. Now with prices back in real terms to their level in the mid-1970s, Opec producers are caught by the consequences of their own high-price strategy. Oil consumption in the free world has been reduced by 11 per cent since the peak in 1979. At tho same time, high prices have stimulated non-Opec production like that in the North Sea.

Excess

Consequently the non-Communist world could now produce some 10m barrels a day more oil than it bas the ability to consume—an excess capacity of more than 20 per cent. If potential production, including wells which could be brought on stream in a more favourable market, is included, the excess would be very much larger. The bulk of this capacity is in Opec countries.

The forces lined up against Opec are therefore enormously powerful, as Saudi Arabia has recognised. On the other hand its own ability to pump perhaps 10m barrels a day—more than twice its present output—gives it a very strong hand against its competitors. It has flooded European refineries with crude oil at discounted prices through its so-called "netback" deals. This has given it secure outlots for perhaps 2.5m b/d of its output, at the expense mainly of North Sea production from Britain and Norway.

North Sea crude has been forced to seek markets as far away as Japan, but Saudi Arabia has countered with a major netback deal in the Far East, and others are being negotiated.

One casualty in this battle for market share has been prices on the European spot market where a high proportion of North Sea crude is sold. But the spectacular plunge in Brent spot prices to below $16 a barrel gives a rather over-dramatic picture of the total oil market. Secret netback prices are probably closer to $20 a barrel, while the buying prices posted by US major companies are around $24 to $25. Nevertheless, it seems clear that downward momentum will continue, and even if Opec can regroup its forces next month, there can be little prospect that it could do more than halt the slide, though though nobody knows quite when tho fall might be broken.

Supply and demand are so far out of balance that the price would have to tumble much further to restore equilibrium by forcing out the most expensive production and stimulating some extra demand, for examplo in UK oil-fired power stations.

More generally a major price collapse wil bring sharp cuts in exploration and development, which would reduce the availability of oil in the mid-1990s, when world demand is generally expected to catch up with supply. When that happens Middle East producers with large reserves may be in a position to flex their muscles once again. That, in part, is the Saudi strategy.

With this danger of renewed shortages at some stage in the future, there are bound to be voices urging non-Opec producers to talk about some sort of stabilisation policy. But, quite apart from the question of whether the Saudis can get their genie back into the bottle, oil is produced by companies not governments and there is no reason to think that government officials are better at future guesswork.

Hard pounding, gentlemen

SHOCK, certainly; some incredibility; but no horror at all. Indeed, as the market yesterday absorbed tho most surprising set of money, credit and reserve figures for many years, there was a good deal of rueful odmiration for that often-maligned institution, tho Bank of England.

If it had indeed been up to any tricks, and the general opinion was that it had, it had covered its tracks adroitly. Wo are used to stiff-upper-lips crisis management, but crisis management as smooth as a palais glide is something new.

The provisional verdict in the City seems to be that tho reserve figures were good in spito of a month in which sterling was spectacularly weak because the Bank had at last taken the free advice of many past crises and operated mainly in the forward market. The money and credit figures: inexplicable.

However, since this is a guessing game — if the Bank was indeed supporting sterling in the forward markets, we will never have any incontrovertible evidence — we will venture some counter-speculations of our own. It is possible, after all, that tho authorities are telling the literal truth about the currency markets: they did intervene, but not nearly as heavily as the market supposed.

After all, it is now clear that as tho fall progressed, the authorities embarked on a strategy without any precedent in London: let's try not treating it as a crisis. Let the market do its thing.

Surprise

The market has virtually no experience of the authorities not defending sterling, and although the idea of this approach did get about during the month, the result still seems to have caught dealers in a kind of judo throw, carried into the ropes by their own weight: and as in a well-conducted judo bout, they are not so much hurt as surprised.

The surprising thing is that it has taken a government which believes in market forces so long to try this strategy; or to put it another way, there is no point in staying outside the EMS if you are going to behave as if you were on the inside.

What remains to be seen is whether this very effective tactic is also good strategy. With the oil price still falling, and some sort of yellow alert in operation with regard to the inflationary risks of weak sterling, the defence may have to be resumed at some level or another; and it is the act of refending the rete, according to tho received wisdom, which provokes hostile speculation. So far, then, the Bank has won a round, but hardly the belt.

Meanwhile, the gilt-edged market will continue to worry abont tho money figures — not, for once, about bow bad the figures are, but how the market managed to get them so drastically wrong. Market men, after all, cultivate what they like to think are excellent sources of information, especially in the clearing bank system; and indeed the clearing bank figures, not to mention the record hire-purchase boom, suggested another month of very rapid credit expansion.

Again, it is interesting to try taking official statements as being honest. Official commentators described past credit expansion figures as inexplicable, and only gave up repeating this comment when it was clear that nobody was listening; but if they were indeed an aberration, the new figures could simply represent a counter-aberration.

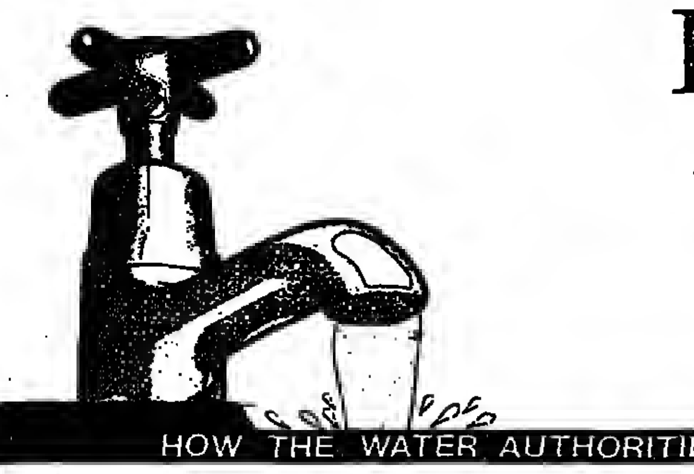
One hypothesis that would fit the facts is that the hill market really was used as a cheap source of dollars in the days of aggressive over-funding, just as dealers always claimed, in spito of the Bank's Nelsonian blind eye. By now these transactions should be unwinding—and could also be providing an element of support for sterling.

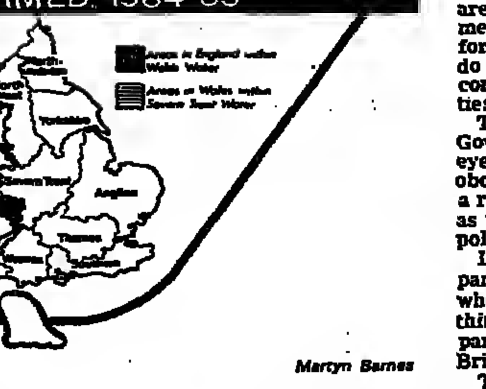
Mora broadly, Goodhart's Law should be remembered — the observation from inside the Bank thet any monetary target would become meaningless through distortions within six months of its adoption. Perhaps it also takes about six months for the distortion to unwind once you stop operating any clear target.

If we can just leave things vague for a bit longer, we will actually discover what is the market demand for credit—and for sterling. Then no doubt we will begin targetting again.

Dangerous currents in the privatisation pool

By Richard Evans





HOW THE WATER AUTHORITIES PERFORMED 1984-85

Water authority	Current cost operating profit per head of equivalent population: water supply £	sewerage £	sewage treatment and disposal £	capital expenditure	Manpower
Anglian	2.64	3.35	3.39	108.0	5549
Northumbrian	0.65	2.15	2.72	27.2	1759
North West	0.46	3.55	2.59	151.3	8286
Severn Trent	1.59	2.15	0.31	113.1	9269
Southern	3.00	1.27	0.58	65.3	3336
South West	3.07	3.00	1.47	41.4	2023
Thames	2.29	0.79	0.87	109.4	9089
Welsh	1.66	1.45	2.19	41.3	4709
Wessex	1.78	0.71	0.84	41.6	2050
Yorkshire	1.63	1.71	0.59	99.2	5835

Source: Water Authorities Association

Martyn Barnes

THERE is a curious mix of excitement and apprehension in the UK water industry as the Government prepares to sell it to private investors. Thames, by far the largest and richest of the 10 regional suthorities in England and Wales, and the most enthusiastic advocate of privstisation, expects to be the first to be sold under the terms of a White Paper to be published today.

Water bod seemed one of tho less likely candidates for tho Government to choose in its search for suitable state-owned assets to sell. But with assets valued at £27bn and combined operating profits approaching £300m, it bas becomo too tempting a target to ignore.

Despite the political attractions of rolling back the frontiers of the state, there are major problems ahead, though. There is uncertainty, already familiar from tho gas privatisation debate, about wbether the Government will be ablo to reconcile tha profit motive of a private company with the natural monopoly of water supply. Tha issue could prove tricky at a time when the Government's political strength may be on the wane.

Timing could also be an embarrassment in another way, given a privatisation queue which already includes British Gas, the British Airports Authority, British Airways, the remainder of Britoil and the Royal Ordnance factories.

The water bill is to be introduced into Parliament early in November. But because of its complexity and the fierce opposition it will provoke from the Labour Party and some Alliance MPs, the bill is unlikely to reach the statute book before summer 1987 at the earliest.

And even that would only be the start. The legislation will propose that all 10 water authorities should becomo public limited companies, wholly owned by the Government before being floated off individually at the most appropriate time. It is thus quite likely that a general election, due by June, 1988, will intervene.

Even without political problems, it may not be easy to devise a satisfactory package to lure investors, based on income and profit projections, long-term investment needs and the scale of debt of each authority. The crucial issue is tho level of investment needed by the water industry in the years ahead. Several authorities argue that they have a mounting backlog of work following Treasury-imposed economies.

Tha reaction to privatisation within the industry has therefore been mixed, with two anthorities, North West and Welsh Water, opposed, and Thames strongly in favour. The majority of authorities are either open-minded or mildly sceptical. The Water Authorities Association, which acts as o trade body for the industry, is neutral.

It is largely because of Mr Roy Watts, chairman of Thames Water, that privatisation is now on the agenda. He was appointed by the Government in 1983 after a spell as British Airways' deputy chairman to bring more zip to a public ntility traditionally dominated by local government bureaucracy.

He was so infuriated a year ago by Treasury tactics of forcing the water authorities to raise their charges steeply in order to increase Government revenue, that he floated the privatisation idea as the best routa to more commercial freedom. The average water bill rose by 43 per cent between 1981 and 1985. To his surprise he found he was pushing at an open door.

Thames, responsible for a quarter of the country's water services, became a net contributor to the Exchequer in 1982 with a modest donation of £2m. This surplus will rise in tho current year to more than £60m and the authority will soon be clear of inherited debt.

But once this bas happened, Mr Watts expects the Government to take powers to cream off any surpluses rather than allow the authority to give rebates to customers. Hence bia anxiety to escape the Treasury's clutches.

Mr Watts also believes privatisation would heip tho industry become more commercially aggressive. Thames is already planning an ambitious drive to market its expertise—income from its overseas ventures was a modest £20,000 two years ago hut has now risen to over £1m, with bids worth over £20m in the pipeline.

So Thames appears well placed to move into the private sector. As to many of the others, the investor will need to be wary. The industry's overall rate of investment has been halved since the mid-70s. as a result of Government financial pressure. The level is now rising and ministers claim it is satisfactory.

A great deal needs to be done, however. Sewers constructed by the Victorians need replacing, especially in areas like Manchester, and a high proportion of water — in Liverpool the figure is 50 per cent—seeps away through corroded pipes before it reaches tha consumer.

North West Water is probahly in the most parlous state, with many assets wbich are relics of the early days of the Industrial Revolution. Capital spending has averaged about £100m in recent years, although the authority says it needs twice that to preserve the existing system.

The Northumbrian Water Authority, although efficiently run, has a different kind of millstone round its neck. It finished building the £200m Kielder reservoir in 1981 only to find that the anticipated increase in demand for water in the north-east had evaporated with the recession. Over half the receipts from local water rates are now spent on interest payments.

Southern, Wessex, South West and Welsh have big problems witb beaches because of mncb tougber European Community regulations on pollution control. About £500m will have to be spent in tbe next five years to construct longer sewage outflows.

Another puzzle facing the Government is what to do about the anomaly of the 29 private water companies already in existence. Some have beeo operating for more than 200 years and were ignored for political reasons in the 1973 water industry reform that set up the regional authorities.

Although they provide a quarter of the country's water supply (but no sewage or environmental services) they are not seen either by Government or the industry as a model for privatisation because they do not fit into tho patten of self-contained river basin authorities.

The probability is that the Government will turn a hlind eye. If any attempt is made to obolish them, ministers will face a rebellion on the Tory benches, as the companies have powerful political allics.

Leaving tbe private companies aside, the sale of the whole industry could raise anything from £3bn to £5bn, compared witb the £3.9bn in the British Telecom flotation.

The key will be the projected income and profits. In tho case of Thames, an estimated value of £1bn is based on a turnover of £550m to £600m in 1987-88. Allowing for increased capital spending of obout £125m, pre-tax profits are expected to be in the £80m to £100m range. Thames assumes a 30 per cent tax charge io arriving at a net profit figure of £60m to £65m.

Total investment in the industry will be £910m next year, which the Government regards as adequate, although it is 13 per cent lower than the industry sought. Turnover is £2.3bn. Rate of return on assets is set at 1.6 per cent for 1986-87, based on the curreot cost accounting method hated by the industry. but this is up from 1 per cent in 1984-85 and 1.4 per cent in the current year.

The Government's aim of making the authorities self-sufficient has seen a shift from 1974, when the industry borrowed almost as much as it invested, to 1980 when it was 60 per cent self-financing, to 1986-87 when it is expected to finance 90 per cent of its borrowing.

Much of the tension between the water authorities and the Government has come from the imposition of current cost accounting methods linked with the imposition of punishing financial targets since last year. These have had the effect of driving up charges more than the water authorities wished, as well as bringing about dramatic gains in efficiency and productivity. Manpower has fallen from over 62,000 to under 52,000 since 1981.

Tests are to be held later this year on the feasibility of water metering, and this will be an important element in the White Paper. Investors will want to know if the privatised companies will be obliged to spread metering widely—and at high cost—or whether charges will continue to be based on property taxes or rates.

The difficulty here is that the Government has just announced its intention to phase out domestic rates and replace them with a community charge, or poll tax, after 1990. This would leave the privatised companies with no basis on which to charge for their services.

Metering, strongly favoured by some of the industry's leaders, would create a much closer connection between service provided and cost. But it would tend to be more expensive for people living in areas with low rateable values and for large families, and could therefore be politically controversial.

Another tricky area for the Government will be the regulatory role of the water onthorities themselves. They have the power to grant or refuse permits to farmers and industry to extract water or discharge effluent.

Achieving the right balance between regulation and enterprise will be crucial in determining the Government's ability to sell what are basically public ntilities with limited potential. Mr John Patteo, the Environment Minister with responsibility for the water industry, has described the planned privatisation as "the biggest thing to hit water since tho first lead pipe was introdnced by the Romans." He will have to work hard to sell it successfully to investors.

WHAT HAPPENS IN OTHER COUNTRIES

IN OTHER countries, attitudes to water supply vary widely—from the US, where privately owned utilities supply about a quarter of the 'nation' needs and water is a highly political issue, to Japan, where almost every drop is supplied by the public sector and privatisation has never been seriously debated.

Most water in the US is supplied by about 22,000 utilities owned by local government, and they tend to be far larger concerns than the 38,000 or so investor-owned suppliers.

Payment methods vary. Most local authority customers are charged on a cost-only basis, and most cities meter their water.

Tho big privato water companies' charges are vetted by state utility commissions. The biggest water company is American Water Warks, which operates 100 water systems in 20 states. Residential customers account for 56 per cent of the company's annual revenue of about $440m a year. The average customer pays $259 a year for supplies.

In Japan, privatisation of water supplies is not a subject af argument even though denationalisation is an issua in other industries. The public sector supplies nearly all the country's water, mostly at the village or town level. In Tokyo, however, the whole metropolitan area is supplied by the city's prefectural government. Only a handful of private suppliers exist, all in remote areas and operating under licence from the Health and Welfare Ministry. Charges are by meter and vary slightly from district to district.

France's water services are largely in private hands, with Paris the latest big city to have privatised most of its distribution. There, tho Compagnie Generale des Eaux supplies the Left Bank and the Societe Lyonnaise des Eaux the right.

Privatisatien brought a 16 per cent tariff increase at the beginning of this year, but both groups are committed to substantial investment plans. Sewerage and purification remain the business of the municipality.

About 60 per cent of French people—about 30m of them—receive their water from private groups. Lyons and Marseilles also contract out water distribution to privato groups — a move being followed increasingly by French municipalities.

Privately-owned consortia supply more than half Italy's water, and customers are metered. What private and municipal suppliers charge is regulated by provincial price committees composed of local and central government representatives. A reform to remove duplication of supply networks by different companies is under discussion.

Men and Matters

Boardroom jobs for GM rivals

A reshuffle of General Motors' top management has put two executives, Robert Stempel, 52, and Lloyd Reuss, 49, in an open race for tha presidency of the world's biggest motor manufacturer.

The two men are heing promoted in tandem to the main board and given broader operating responsibilities within the group.

Stempel and Reuss were moved on to the fast track in a management reshuffle in early 1984, when tha company launched a radical streamlining of its organisation, centred on two divisions responsible for small cars and large cars.

This controversial move, which broke the tradition of balf a century, attracted some criticism at the time. It was left to Reuss, in charge of tho small cars sector, and Stempel, who was given the larger car division, to make it work.

Stempel now takes charge of the truck and bus group and overseas; and Reuss becomes executive vice president in charge of North American car groups.

Over the years both men have established reputations as innovators, abla to create change within one of the most overbearing bureaucracies in the world.

Stempel, an early expert in front-wheel drive technology, who heiped develop GM's first fwd car, the Oldsmobile Tornado, is credited with the turnround of Opel, the group's West German subsidiary. He is said to havo o strong grasp of car design and engineering and is probably one of the few top executives in tha group who could develop a car from scratch.

Reuss, a more extrovert individual, won his laurels at the former Buick division where sales under his management easily outstripped the rest of the industry—and where he planned "Buick City," a highly-automated plant matching the best Japanese ideas on stock control.

With both gaining access to GM's key executive committee it is expected that whichever wins the promotional race will eventually succeed James McDonald as president on his retirement in 1987.

The job of future chairman is already reckoned to hava been salted away for Alan Smith, aged 52, executive vice president for finance.

Rock climbers

The Manchester-based management consultancy, Collinson Grant, has been celebrating 15 years in business with a dinner that displayed some aggressive culinary chanvinism.

The "Lancashire hors d'oeuvres" consisted of Manchester tripe and Ormskirk brawn, Bury black pudding, Fyldo asparagus and Slaidburn eggs. River Ribble salmon, stuffed with Morecambe Bay prawns followed. The main course was Bolton hotpot, and the sweet, Wigan pancake, came full of strawberries and cream. The meal was rounded off with Lancashire cheese and Eccles cakes.

It was chairman, Len Collinson's way of thanking clients who bave helped his company's payroll grow from two to 33, and turnover from £40,000 to £2.5m since 1971.

For good measure, clients also got o stick of rock.

"They've cut the price of petrol—but now they charge a quid each for the free wine glasses"

Odd couple

Pierre Beregovoy, the Socialist finance and economy minister, and Jacques Calvet, chairman of the privete Peugeot car group, were jointly named last night as "French financiers of the year."

They make an odd couple, but one thet seems perfectly in line with the current French fad of "cobabitation" — the popular term in France, now, to describe the prospects of o Socialist President ruling with a right-wing majority in the National Assembly after next month's elections.

May be it was in that spirit that the 2,000 business graduates who last year voted the title to Jacques de Larosiere, bead of the IMF, decided to split the honour this time between the Socialist minister and the private entrepreneur.

Beregovoy, a largely self-taught man who has climbed skilfully up the political ladder, has taken the credit for introducing a major deregulation of French financial markets and adopting liberal and pragmatic economic policies which on occasions appear to pre-empt the right-wing parties' programmes.

He took the opportunity of the prize-giving ceremony last night to confirm the change in the Banque do France's approach to monetary policy which is moving increasingly towards an open market system lika the Fed in the US.

Indeed, Beregovoy has not missed o chance of bragging about his liberal policies and good economic indices as the olections approach.

For his part, Calvet, chairman of the Banque Nationale de Paris before the Socialists came to power, and already named French manager of 1985, is being rewarded for returning the loss-making Peugeot car group to relatively good bealth.

Figures of fun

Much Treasury glee yesterday at catching out the City economists it refers to as "eenage scribhlers."

Stockbroking economists' forecasts of how much money the banks lent in January showed an average margin of error of 400 per cent. Sober analysts are hlaming the forecast of £4bn circulating in the markets on jobbers' gossip, but not even the most sophisticated econometric models came within shouting distance of the figure of £400m eventually announced by the Bank of England.

Forecasts of how much money the Bank bad to spend on the foreign exchanges in trying to support the pound were similarly wide of the mark.

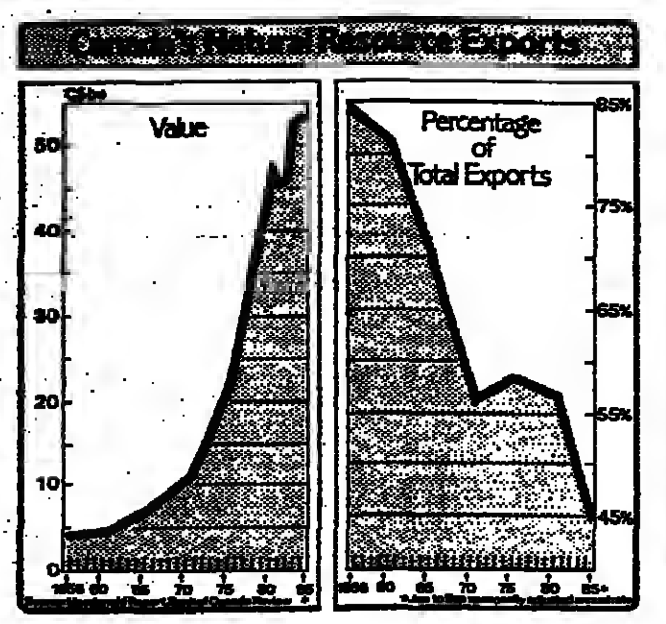
It is estimated that City economists earn an averege of £50,000 — but the margin of error, some now say, could be as substantial on this figure as on the brokers' forecasts.

Old lines

Some old-tech practices have bad to be reinstated at fortress Wapping. Over tbe past few months, The Times has been issuing its reporters with clever little portable computer terminals which will zip their copy down the phone lines straight into the computer.

Trouble is the computer is in the deserted Grays Inn Road office, and the copy then has to be carried over to Wapping. So, for the time being, it is back to old-fashioned methods of copytaking at Wapping.

Observer




Brian Mulroney, Canada's Prime Minister

The raw materials of economic change

By Bernard Simon in Toronto

CANADA'S natural resource companies, among the world leaders in mining, forestry and energy, are being forced to make far-reaching changes.

Last week one of the biggest and most troubled groups, Toronto-based Noranda, sold its 49 per cent interest in Tara Exploration of Ireland, which owns Europe's largest lead and zinc deposit. Earlier, Noranda hived off its mining and forest products activities into separate subsidiaries in an effort to re-invigorate the loss-making company. Noranda, the interests of which include zinc, copper and gold mines and a 49 per cent stake in the big West Coast forest products group Macmillan Bloedel, is looking for buyers for several of its other businesses, including the London commodity trader Rudolf Wolff.

The giant aluminium group Alcan announced last month that it had charged US$252m against income during 1985 to reflect rationalisation costs, inventory writedowns and the lower value of its bauxite and alumina investments.

Across the continent, Vancouver-based Cominco, which is rationalising many parts of its business, has just announced a joint venture with another Canadian mining group, Rio Algom, to create in British Columbia one of the world's largest—and one of North America's lowest cost—copper mines. Cominco has revised plans for some of its zinc mines and is proceeding with the modernisation of a large lead smelter in western Canada.

Noranda and Cominco, both suffering heavy losses and burdened with debt, are following the lead of other raw materials producers such as Abitibi-Price in forest products and the two nickel producers Inco and Falconbridge, which have reshaped themselves in the last two or three years in an effort to restore financial stability and competitiveness. Inco announced this week that it returned to profitability last year for the first time since 1980.

These shifts in corporate strategies have a wider significance for Canada, where natural resources have always been a cornerstone of the economy. The transformation of long-established raw materials producers—which, in the past have taken their markets for granted — into leaner, more aggressive competitors, coincides with government initiatives to liberalise Canada's foreign trade and investment links.

The mining and forestry companies may thus be setting an example to other sectors of Canadian business which remain protected and nationalistic, challenging them to become more outward-looking and confident.

Whether in the form of fur pelts, wheat, fish, oil or uranium, Canada's natural resources have helped give the country one of the highest standards of living in the world and have provided the impetus for building an impressive transport system and for opening up the vast but inhospitable Arctic.

The country remains a leading producer of a wide range of mining, forestry and energy products. Raw materials and fabricated products (which include items such as newsprint and plywood) still make up around half the country's total exports. But times have changed. Prices for many of Canada's main raw material exports, ranging from zinc, coal and gold to lumber, wood pulp and oil and gas, are in the doldrums.

Equally important, Canada is no longer the power it once was in mining and forestry. Lower cost and higher grade mines in the Third World and elsewhere have taken business from Canadian metal and mineral producers. One reason for e sharp fall in traffic on the St Lawrence river in recent years is the declining competitiveness of iron ore mines in Northern Quebec and Labrador. Faster growing trees in warmer climates and the sharp devaluation of Scandinavian currencies created problems for Canadian forest products companies.

Canada's share of world newsprint output has tumbled from 53 per cent in the early 1950s to less than one-third now. In the decade since 1973, its share of world nickel supplies has fallen from 42 per cent to 19 per cent, of asbestos from 42 per cent to 20 per cent, and of silver from 16 per cent to less than 9 per cent. Canada's share of copper, lead and zinc production has also declined.

The raw material producers' problems have contributed to a steady decline of the Canadian dollar, from an average rate of one-for-one with the US dollar in 1976 to an all-time low of less than 70 US cents this week.

Canadian companies' frustration bubbled to the surface when the tin crisis broke on the London Metal Exchange last October. Inco unsuccessfully asked the LME to suspend nickel trading. Cominco, which gave up its LME seat in 1984, has met strong resistance from customers in its efforts to move away from the LME benchmark in pricing lead and zinc, towards its own pricing system.

Federal and provincial government policies appear to have hindered rather than helped the adjustment process. In a country where unemployment is above 10 per cent and where more than 200 communities depend on mining or forestry for their survival, political pressures to keep uneconomic mines or sawmills going are considerable.

A Royal Commission headed by Mr Donald Macdonald, a former Liberal Finance Minister, concluded in a report on Canada's economic and development prospects published last September that "the political process in this country is likely to lead to the adoption of policies that in many respects are quite different from the approach that would be suggested by economic and social considerations alone."

The Mulroney government and its provincial counterparts have stuck to tradition, succumbing on numerous occasions to political pressures to rescue ailing, uncompetitive industries, not only in the natural resource business, but also in such troubled sectors as textiles, shipbuilding and petrochemicals. The most controversial recent case involves government aid to reopen the Cyprus Anvil mine in the Yukon.

Cyprus Anvil, which was one of the world's largest lead and zinc producers in its heyday in the late 1970s, was mothballed in 1982 when low metal prices made further operations uneconomic. But the mine was by far the largest generator of economic activity in the Yukon. The election of a left-wing government in the territory last year increased pressure on the federal authorities to come to the mine's rescue.

The Federal and Yukon authorities have agreed to concessions estimated at C$70m-C$100m to enable a new group of owners to reopen the mine later this year.

And Cyprus Anvil's competitors have not been averse to taking some handouts. The federal government bought C$69m of Cominco preferred shares late last year to help the loss-making company modernise a large lead smelter in British Columbia.

The provincial authorities in British Columbia have agreed to give power tariff discounts to eight companies in the past three months, including three mines, two paper mills and a pulp mill.

But last September the government of Prime Minister Brian Mulroney took a first step towards a longer-term solution than subsidies by asking Washington to begin negotiations on a comprehensive US-Canada free trade agreement.

Several Canadian mining and forest products companies have made substantial investments south of the border in recent years. Half-a-dozen Canadian gold producers, including Echo Bay Mines of Edmonton and Pegasus Gold of Vancouver, have pioneered the use of a low-cost extraction process, known as heap leaching, to extend the life of several existing mines in the western US.

Among forestry groups, Abitibi-Price has a 50 per cent interest in a newsprint mill near Augusta, Georgia, the company's biggest newsprint facility. Macmillan Bloedel, which owns an integrated lumber, plywood and containerboard mill in Alabama, has pushed up sales of wood-based building materials in the US from C$598m in 1982 to C$1.1bn in 1984.

Alcan, which has postponed construction of a large aluminium smelter in Quebec, expanded its downstream interests last year by buying the bulk of Atlantic Richfield's aluminium business in the US.

Hopes of increased demand for Canadian heavy oil have prompted a wave of new oil sands and oil upgrading projects in Alberta and Saskatchewan in the last two years. By trimming their sails and seeking new opportunities in the US, the resource industries have in a sense returned to their pioneering origins.

High technology

How Europe can fight the multinationals

By Michael Butler

I HAVE heard respectable people argue that it does not matter if European high technology companies are taken over one after the other by American or Japanese multinationals. If the market so decrees let no man intervene!

This needs to be thought through. The multinationals are in Europe to promote their parent companies' strategy for gaining world market share and maximising their long-term profits. As part of that strategy they may do some manufacturing in Europe and even some research. But their policy is decided in their headquarters and the majority of their profits flow there. Once they have knocked out or taken over the European competition, they are free to shift the balance of their investment in plant and research towards home or to other markets yet to be conquered. If Boeing in aircraft, or IBM in information technology, can achieve a still more dominant world market share than they have now, the temptation to behave like monopolists will be great. European industry in other fields will suffer. Still more profits, investment and research will flow home. Brains will follow them.

Among the reasons why European companies are losing market share is that there are too many European "national champions." Two Japanese companies spent $1.5bn on developing digital switching systems, three American companies $3bn and 10 separate European companies $10bn. It is not the Europeans who are winning. Another reason is that Japanese and American competitors, in different ways, enjoy major advantages. US public purchasing rules, such as Buy American, favour US companies—but US Government controls on the outflow of technology hinder European companies.

Vast space and defence expenditure underpin American companies' research and investment. European governments compete with each other in giving Japanese and American incentives to invest in the EEC in high technology fields which produce least jobs and are most dangerous for European companies.

The European Community is already taking some essential steps, creating a single great market by 1992 and helping small and medium-sized enterprises. But these things, excellent in themselves, will not solve the problem. The multinationals will be as well placed as anyone to prosper in the single market and only large enterprises can find the funds for research and marketing needed to climb towards the crucial threshold of 5 per cent of the world market.

What then can be done? Protectionism would make Europe still more uncompetitive. More Government money is not the answer. Pooling basic research efforts could help, but only marginally. In Eureka, governments are seeking out the legal and fiscal obstacles to European co-operation. They will find some serious ones and it would be helpful if rapid action could be taken to remove them, presumably through European Community legislation. For the basic idea behind Eureka, that European companies need to co-operate in order to survive, is right. Action is needed this year.

But more is required; and time is short. The British Government, which has the Chair of Eureka until June and of the Community from July, is well-placed to give a lead. Here is a menu for early action:

● First, the British proposal for a Eurotype warrant which would open all public purchasing to the products of co-operation between European companies, should be adopted this year.

● Second, the Community should tell the US Government that the time has come for reciprocity in public purchasing.

● Third, the Community should also seek reciprocity on the transfer of technology. It is time to take a common position on American restrictions.

● Fourth, national and Community competition rules should be interpreted as applying to the world market. It makes no sense to prevent European companies from getting together in fields where the outside competition is more than strong enough to keep them on their toes without competing with each other.

● Fifth, Community Governments should agree to a self-denying ordinance not to give investment grants to non-European high technology companies which would threaten European companies in their field.

● Sixth, all Community Governments should review their own investment and innovation incentives to ensure that they promote rather than discourage European co-operation. (The British Business Expansion Scheme specifically excludes it.)

Schemes to promote European co-operation must apply to genuinely European companies, those with their headquarters in European countries and of which the major part of the profits remain in Europe. The multinationals will oppose this idea. Some have put a lot of effort into convincing Governments that they themselves are European, because they have subsidiaries incorporated in Europe and manufacture there. That is an illusion and the nettle must be grasped. The US Government knows which are American companies. We know which are European.

These are things the European Community can do to make it easier for our companies to co-operate. But in the end it is the companies who have to do the biggest thing. They have to forget that they are long-standing rivals and remember the danger of hanging separately if they do not stand together. They have to make deals under which each produces complementary products and buys them from each other. They have to form joint venture companies to produce hardware and, indeed, whole IT systems. They have to find ways of pooling their marketing efforts, either for particular products or by region.

It will not be easy. Ways of thinking must be changed in the European Commission, in Governments, in boardrooms and in middle-management. That usually takes a long time. We haven't got it.

Sir Michael Butler was until last year Permanent UK Representative to the European Community.

Letters to the Editor

Models fail to predict

From Professor D. Wood

Sir,—If experience has taught us anything over the last decade it is the ability of modern monetary economics to detect all manner of relationships, the vast majority of which seem curiously specific to the data sample and variable transformation used in estimation. In subsequent use these models fail to predict, and prove to be informationally useless.

In bringing out his "good" M3 and M0 from the same stable, Professor Beenstock (January 28) cannot surely rely on statistical evidence — he needs to establish at least some degree of face validity.

It is here that problems arise. Bank deposits cannot be sterilised by high interest for the simple reason that banks pay the interest from interest charged on lending the deposits, presumably to finance current expenditure. Net expenditure for given levels of deposits is thus largely independent of interest rate — "good" M3 doesn't exist.

As far as M0 is concerned does Professor Beenstock actually know of any person or company who abandons an intended purchase in case the rate of expansion of M0 is too low to provide the specie required for settlement? Such behaviour would be bizarre, especially when due to past excesses, M0/GDP is already above the levels that financed the 1979/1981 inflation. A prospective purchaser who already has the money in his pocket is unlikely to be deterred by a slowing rate of growth of an already excessive M0.

Instead of clutching at straws that are already several feet under water it would be far better to recognise that inflation is currently suppressed by non-equilibrum interest, exchange and unemployment rates, but that the real competitiveness of the economy — i.e. the long term safeguard against inflation has been grossly weakened in the process.

(Professor) Douglas Wood.
Manchester Business School,
Booth Street West,
Manchester.

Imports of footwear

From the Secretary, British Footwear Manufacturers Federation

Sir,—Mr Greenaway's attempt (January 30) to ascribe steep rises in average prices of footwear from the Far East in 1979 to our voluntary export restraint with Korea is really *not on:* the reason was in fact the impact on price levels of the trainer and its derivatives which moved sharply up market in that year. There was no evidence of the scarcity of footwear of that kind at the time that he postulates; quite the opposite — similar imports from non-restrained Far Eastern suppliers actually fell, and even so by the end of the year retailers were heavily overstocked.

Our charge against Mr Greenaway is not, as Mr Wolf (January 29) infers, one of imprecision: rather one of a failure to analyse all the known relevant facts objectively. If he should plead that he did not know all the facts, why then did he not discuss the study with us before publication?

Taiwan and Korea maintain far higher barriers against footwear imports — and indeed other imports — than we do. They have clearly not been impressed by theoretical arguments against protectionism of the kind used by Mr Wolf. The success of their economies makes one wonder if they may not have been right.

W. N. S. Calvert.
72, Dean St, W1.

Wild Atlantic salmon

From the Director, Salmon and Trout Association

Sir,—The House of Lords is extremely well qualified to legislate on the decline of the wild Atlantic salmon. Many of those who have spoken in the recent debates are active members of this association and thus are kept in touch with the problems which declining runs of salmon bring to the angling and tourist industries.

But well-qualified and well-briefed as they are, they could not, at the committee stage in the House of Lords on January 30, bring themselves to divide the house on the vital amendments which could transform the Bill from the timid, rather parochial, affair which it currently is into one which will, not only do something to conserve this important national resource, but will also demonstrate to other nations who exploit the resource that we mean business.

Top of the list must be a clear statement of intent by the Government that drift netting and coastal netting, both of which intercept salmon and sea trout far from their rivers of origin, are going to be stopped. Financial inducements may be necessary to bring this about in a way least detrimental to the livelihoods of the fishermen who practise their trade within the law as it stands. But, as has frequently been pointed out in Parliament and elsewhere, the salmon resource is much more valuable as e sporting resource than as a food resource and the nettle must be grasped.

Dealer licensing to control the sale of salmon must clearly apply to the whole of Great Britain, not just to Scotland, and bureaucratic niceties as to whether the water enthorities or local authorities should administer licences should not be allowed to cloud the issues.

The House of Lords and the Government have e breathing *space before the issues have* to be tackled again at the report stage on February 13. The membership of this association hopes that they will use the time wisely.

James Ferguson,
Fishmongers' Hall,
London Bridge, EC4

Joining the EMS

From the Director, Economic Affairs, Confederation of British Industry

Sir, — Professor Meltzer (January 24) argues that entry intn the European Monetary System would be the wrong policy for Britain, especially et the present time. By contrast, most members of this confederation want an early move towards full membership of EMS.

It is not the case that sterling *would be rigidly fixed against* the other EMS currencies. Each currency is allotted a parity against which all the stress and fluctuation around the different rates is allowed within a ±2.25 per cent band. (The lira is allowed ±6 per cent!). Moreover, the initial parity on entry is not set in concrete, and it is noteworthy that the original EMS members underwent several realignments, without major turmoil, within the first two years of the system.

It is true that sterling varies with world prices. It is also true that oil and gas production account for only about 5 per cent of UK income and that this share will fall as oil output declines. In practice, the EMS has protected member currencies from day-to-day swings based on market rumour (which has characterised the recent behaviour of sterling), and realignments have been restricted to changes in economic fundamentals. In recent weeks, the foreign exchange market has underestimated the current strength of the UK economy. In short, entry into EMS would make the pound less sensitive to oil price scares.

In the past 12 months the UK has suffered from both exchange rate and interest rate volatility, as interest rates have been adjusted to defend the pound. If sterling were in the exchange rate mechanism, the larger pool of exchange resources made available would make stability easier to achieve through intervention and would reduce the need to resort to interest rate changes. A rise of 1 percentage point in interest rates adds about £250m a year to UK industry's costs.

I agree that greater stability in the exchange rate is not altogether costless (little is!), but it should also be remembered that it would allow companies to plan with more confidence and tn negotiate contracts with less worry about large exchange risks.

J. T. Caff.
103 New Oxford St, WC1

No royalties for Uri Geller

From Mr M. Coulson

Sir,—It is scarcely surprising that Uri Geller is receiving no royalties from Anglovaal for its "biggest-ever coal deposit" near the Zimbabwe border (January 18). Nn such find has ever been announced and Anglovaal has had no direct coal mining interests for many years. It never mined coal anywhere in that area, anyway.

Nor is it correct to say that kimberlite rock (the source material for most diamond mines) is "very rare." On the contrary, hundreds if not thousands of kimberlite pipes are well known in many parts of the world. The only rarity is if they contain diamonds in economic qualities and quantities, and that Geller does not seem to have demonstrated.

Geller's lifestyle is proof of his showmenship nnly. The onus nf proof lies on him, not on the sceptics.

Michael H. Coulson,
(Assistant Editor).
Financial Mail,
171 Main Street,
Johannesburg, SA.

Very large carrier

From Mr M. Maister.

Sir,—It was reported in your article "TNT seeks more Fleet Street delivery contracts" (January 21) that the company named claims to he the largest parcels operator in the UK. In fact, Royal Mail Parcels remains the country's largest carrier. Our research shows that the number of parcels handled by the Post Office—196m last year—is bigger than all the other national carriers put together.

Michael J. Maister
(Director of Marketing Parcels).
The Post Office,
33, Grosvenor Place, SW1.

FINANCIAL TIMES

Wednesday February 5 1986

BRITISH NEWSPAPER PLANS STAFF REDUCTIONS AND 'DIRECT INPUT'

Guardian joins battle to cut costs

BY RAYMOND SNODDY IN LONDON

THE GUARDIAN yesterday became the latest British newspaper to call for radical changes in its costs, manning levels and use of new technology.

All Guardian staff were told in a letter yesterday from Mr Harry Roche, managing director, that:

● No member of staff, including management, would get a pay rise of more than 3.5 per cent this year and there could be no further payments for changes in use of technology.

● There must be direct input of editorial and classified advertising copy as soon as possible.

● Voluntary early retirement for those over 50 would be encouraged, combined with non-replacement. From September there would be compulsory retirement for those over the normal state retiring age of 65 for men and 60 for women.

The Guardian, an independent liberal newspaper formerly based in Manchester but now operating mainly from London, has a circulation of around 480,000.

The newspaper said it must also have the kind of binding dispute and arbitration procedure insisted on by Mr Rupert Murdoch, who recently moved his UK newspapers out of Fleet Street to a new printing plant.

The news of change at the Guardian came as evidence emerged that News International, Mr Murdochs group, received detailed legal advice before Christmas on the cheapest way of shedding around 6,000 print workers.

The advice – from Mr Geoffrey Richards of Farrer and Company states that the cheapest way of dismissing employees would be to do so while they were participating in a strike, thus avoiding the need for redundancy payments.

The unions are taking legal advice on grounds for bringing cases of constructive dismissal, after the disclosure.

Today the general council of the Trades Union Congress will hear the electricians' union, the EETPU, reject charges that it acted contrary to TUC rules in operating News International's new plant at Wapping, in east London.

The union will claim the case against it is motivated by "political prejudice and membership ambitions." But it is likely that the TUC will issue a directive that will lead to the union's suspension from the TUC if ignored.

Contempt-of-court proceedings will be served on the print union Sogat 82 today because of allegations that it has disobeyed an injunction to stop disrupting newspaper distribution.

At The Guardian, directors hammered out a new policy last week because of the "breathtaking speed" with which events were moving in Fleet Street.

There was little time because Mr Murdoch could use his new cost structure as a weapon against competitors.

The Guardian, which directly employs about 1,000 people, said it was a priority to establish "sensible and appropriate" manning levels, which would inevitably mean a reduction in staff. The company wants to switch to full photocomposition within 12 months and achieve significant levels of direct input before moving to a new £22m ($30m) printing plant on the Isle of Dogs, also in east London, in January 1988.

Mr Peter Hilldrew, of the National Union of Journalists chapel (local branch) at The Guardian said yesterday: "The management of The Guardian appear to have decided that the only way to compete with Mr Murdoch is to take advantage of the current climate"

Brussels takes up tangle of US ban on fibre

By Paul Cheeseright, in Brussels and Laura Raun, in Amsterdam

THE EUROPEAN Commission has taken up a complaint by Akzo, the Dutch synthetic fibre producer, and could initiate trade measures against the US if it finds that Akzo is being unfairly excluded from the American market.

The investigation puts on an official level a 10-year battle between Akzo and Du Pont, its US rival, over patent infringements related to the production of aramid fibres, used in the armaments industry.

This is the first time a new Community procedure to protect European companies against unfair trading practices by other countries has been put to use.

If the Commission upholds Akzo's complaint, first lodged last December, it could lead to retaliation against the US and a further aggravation of EEC-US trade relations.

Akzo, according to its complaint, has been excluded from the US market until October 1990. The International Trade Commission of the US argued that Akzo's sales would damage Du Pont.

The Dutch company contends that the decision is discriminatory and incompatible with the provisions of the General Agreement on Tariffs and Trade (Gatt).

The fact that the European Commission has agreed to investigate the complaint is an acknowledgement that Akzo has a prima facie case.

Under the Community procedures, the Commission had 60 days to accept or reject the complaint. It will now start a detailed investigation which should be completed in between five and seven months. The results of that will determine whether the Community will act against the US to protect Akzo's interests.

The focus of the investigation will be provisions of the US Tariff Act 1930. Du Pont had used this act to seek protection on the grounds that Akzo sales would infringe its patents.

The Community is using a procedure called the new commercial instrument. Modelled on the US fashion of dealing with the unfair trading practices of others, it came into force last September.

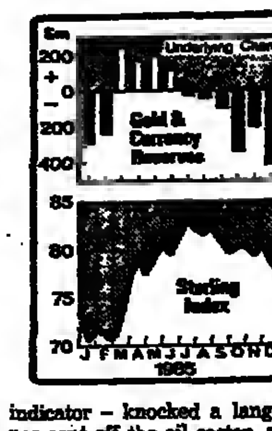
Akzo says it plans to ask the Commission to retaliate with a European import ban on Du Pont's competing aramid fibre if the US ban on its own fibre is not lifted. The Dutch company added that it considered the US import ban was a political decision.

Dr Clayton Yeutter, the US Trade Representative, argued in the Hague last week that the Du Pont-Akzo patent dispute should not escalate into a political battle involving governments. But Akzo retorted yesterday that while it was prepared to wage a legal battle over the patents, the battle must be with "equal weapons."

THE LEX COLUMN

Now you see it, now you don't

Not since the removal of the Corset have London's financial markets failed so comprehensively in their forecasts of banking data. Yesterday's money supply figures for banking January bore no relation at all to the markets' own estimates, with almost the whole of the discrepancy being accounted for by the pace of bank lending. In place of the £2bn to £3bn rise which most brokers had expected, the Bank of England served up an increase of just under £500m.



The Bank was almost as puzzled as the brokers. A switch to bill finance may have contributed; so, too, may the repayment of lending incurred ahead of the Laura Ashley and Cable & Wireless issues. Most plausible of all, the seasonal adjustments may not have picked up the lateness of tax payments in calendar January. Yet none of these distortions adequately explains what appears to have been a dramatic shrinkage in lending by the non-clearers. If there has indeed been some underlying reduction in the growth of bank lending, it is hard to see what domestic factors might have caused it. Capital spending should be strong in the final quarter of the tax year while the recent consumer spending and housing start figures would point to buoyant lending growth.

It may be that working capital requirements have been reduced by the sluggishness of export business. That would certainly square with the first impression left by yesterday's foreign exchange reserve numbers, which seemed to show that the Bank of England was selling its own currency last month in order to improve export competitiveness. That does not, to put it mildly, appear very likely. For the gilt-edged and foreign exchange markets, it was all very confusing. While the monetary data was superficially encouraging, the oil price was not. Heaven knows how the market-makers of the future will cope with such a quandary.

Oil

Sheikh Yamani's threat and prophecy of a $15 barrel finally came true in yesterday's oil futures markets. Yet if the oil traders were taking a gloomy view of spring prices on the basis of an Opec meeting that showed the produce-or-bust countries of the Gulf still in the ascendant, the UK stock market – which is supposed to be a leading indicator – knocked a languid 1.0 per cent off the oil sector, as if oil companies were somehow healthier than the market they serve.

The stock market has decided that the majors and the independents have reached their floors. The yield argument may be a little tired, but at least the majors are producing decent cash flow from $10-a-barrel fields and are picking up refining margin on both sides despite BP's cut – measly enough for a dollar-based company – in its petrol price yesterday. For the small exploration stocks, the sole support is takeover. The trick of committing cash flow to both debt service and exploration collapses with a crumbling tax shelter; and there is no question that the City will be ready to finance a rights issue a year to keep companies alive to develop tiny holdings in marginal prospects 10 years away.

But at least the UK companies, with their recourse to each other and the Timbuktu Bourse, are being more realistic than their US counterparts. Those will presumably go on wittering about high posted prices and an import tariff till their banks force them to liquidate their assets or themselves.

Bell/BHP

Investors in BHP have been banking on a partial offer from Bell Resources for so long that its actual appearance – hedged about with impossible conditions – has an inescapable look of anti-climax. It is hard to say which was the more disheartening in yesterday's markets, Mr Holmes à Court's A$7.70 price or his making the offer depend on such unlikely assumptions as a constant official price for Bass Strait oil. Unless the oil price so undermines BHP over the next month as to make the offer seem irresistible, the cards indeed seem stacked against Mr Holmes à Court: this is not an offer which anyone actually expects to win him control of BHP.

So why has he made it? The simplest answer may be that the oil squeeze has made it impossible to delay. The share price of BHP is vulnerable to the impending deflation of its oil earnings, which could well make Bell's bankers feel less happy with the asset that they are financing. Moreover, the imminent proscription of partial offers would remove the possibility of going for something less than full control later on.

If the proposed offer were to succeed, it would provide Bell Resources with plenty of BHP earnings, on an equity-accounted basis, and with a fair amount of dividend. But Bell would have a very highly geared balance sheet, probably looking for some of the cash with which to service its own debts and dividends. Trading in BHP options, which has covered the gap so far, would seem to be ruled out for a holder of nearly 40 per cent of the shares.

Perhaps the offer is primarily a bluff, by a poker player who covered all the angles except those subsequently invented by Sheikh Yamani. What Mr Holmes à Court seems to need is an exit. Whether he can rattle the BHP board into giving him one is another matter; if BHP came up with another bidder, or made a counter-bid for Bell Resources, that might suit him to a tee.

SE membership

By comparison with the billion yen or so that six securities houses have each paid to join the Tokyo Stock Exchange, the £50,000 being levied on new members of the London exchange represents no more than a token payment. It would cost those Tokyo brokers more to join the local golf club. But, while the low entry cost will be seen as a concession of defeat by some stock exchange members, it does reflect a realism on the part of the council that was quite absent only a few months ago. In its present position, the stock exchange cannot afford to insist on the importance of the central market and simultaneously raise high barriers to entry. All the same, it must be galling to acknowledge that membership can be bought more cheaply in London than in Singapore.

Otis sets deadline on lift contract

By Olli Virtanen in Helsinki

VALMET, the Finnish metals and engineering company, is on the verge of losing a big lift-manufacturing contract with the world's leading lift maker, Otis. That follows a further postponement of a decision on the contract by Valmet's politically appointed supervisory board.

Otis, which is part of United Technologies, gave Valmet until yesterday to accept its offer.

Mr Jan Reynolds, vice president of Otis Elevator International, said the decision was disappointing. But he added that the deadline could be stretched until tomorrow, when he would hold talks with Mr Matti Kankaanpää, Valmet's chief executive officer.

Otis has offered to buy 70 per cent of Valmet's lift-manufacturing operations as a stepping stone into Scandinavian markets. The state-owned Finnish company would retain the remaining share.

After the Otis bid became public, the Finnish multinational lift manufacturer, Kone, made a counter-bid to match any offer from Otis.

Valmet's supervisory board decided yesterday that the company's board of directors should request a statement from the foreign investments committee of the Ministry for Trade and Industry. That is expected in the next few days.

Chairman of the supervisory board, Mr Jermu Laine, who is also Finland's Minister for Foreign Trade, said if the committee gave a positive reply, the Otis deal would go ahead in the way planned by Valmet's board.

London SE approves low new entry costs for securities firms

BY JOHN MOORE, CITY CORRESPONDENT, IN LONDON

THE LONDON Stock Exchange has abandoned plans to charge up to £700,000 ($966,000) to firms coming into the exchange for the first time under the liberalisation of the market now being set in train. Instead, under a package of measures approved by the Exchange's ruling council yesterday aimed at encouraging securities firms to participate on the London stock market, those with 150 or more employees will have to pay only £50,000. Those with 20 or fewer could be paying only £10,000.

The move is designed to maintain the exchange's position at a time of radical changes in the structure of London's financial community and forms part of its attempt to liberalise its rules and allow the participation of outsiders at low cost.

The new tariff aims at keeping the cost of entry as low and competitive as possible.

The stock exchange is concerned that its securities market could be fragmented by some of the reforms proposed in the regulation of London's financial community. In the new regulatory framework the stock exchange is to become a self-regulatory organisation, recognised by the Securities and Investment Board, which is to be the City's policing body.

As part of its reforms of the charges which are being imposed on new entrant firms the stock exchanges will establish a register of approved persons, which will include two new categories of members who either deal with the public or carry out share deals for their firms. These are the registered representatives and registered traders. A levy of £150 a year will be made on all individuals, while members of the stock exchange will pay £300 as at present. Every corporate member firm, including the new entrant firms, will pay a subscription of £1,000 a year.

At the stock exchange council meeting yesterday members were divided over whether the cost of entry for those seeking admission to the stock exchange should be higher or set at the new levels. Three bands of charges were discussed. The highest band set the cost of entry at £100,000 for new entrant firms with over 150 or more employees. But members who argued that the barriers to entry should be as low as possible succeeded in getting the lowest band of charges adopted.

Among those firms affected by the changes are large US investment and banking groups like Salomon Brothers, Bank of America, and Morgan Guaranty who are seeking to establish market making operations in the UK in British Government securities.

● The newly formed Gilt Edged Market Makers Association, representing the 29 market makers in British Government securities, is holding its first elections for eight places on its governing committee. Seventeen candidates are standing for election.

Israel forces down Libyan jet

BY ANDREW WHITLEY IN TEL AVIV

A LIBYAN civilian aircraft was forced down over Northern Israel yesterday by Israeli fighter jets in what was apparently an unsuccessful attempt to capture radical Palestinians suspected of involvement in recent terrorist attacks.

The aircraft, a Gulfstream II executive jet, was allowed to continue on its journey from Tripoli to Damascus after being detained for five hours. Its three man crew and nine passengers – among them a leading member of the ruling Syrian Arab Ba'ath Party – were all released after being questioned.

Unrepentant in the face of the apparent blank drawn, on this occasion, Mr Yitzhak Shamir, the Foreign Minister, last night declared that Israel "had the right to take measures to prevent acts of murder and sabotage."

Mr Shamir, leader of the right-wing Likud bloc in the coalition Government of national unity, accused Libya of being the centre of international terrorism. The incident is likely to also aggravate relations with Syria, which has called for a meeting of the United Nations security council.

Government sources in Jerusalem said Israel had been hoping to catch leaders of a Palestinian splinter group who were known to have been attending a meeting in Libya. Other officials linked the dramatic interception to Jerusalem's continuing efforts on behalf of three Israeli soldiers missing in action after the 1982 invasion of Lebanon.

Brig General Ephraim Lapid, the chief military spokesman, said the executive jet had been suspected of carrying passengers "involved in plans to carry out an attack on Israel." The passengers who included Mr Abdullah al-Ahmar, an assistant secretary general of the Syrian ruling party, were questioned at the airfield where their aircraft was detained.

Opec strives for unity on prices

Continued from Page 1

voluntary cuts, but there is no indication at present of any willingness to do so.

One Opec official said yesterday: "The Gulf producers can survive at prices of $10 and below, but none of the rest of us can keep political stability at these levels. Very soon we will be at the stage where we cannot pay our bankers, and then the United States will perhaps put pressure on their friends in the Gulf to stabilise the market."

One non-Opec producer which is particularly concerned at the danger of a price war is Mexico. It relies overwhelmingly on its 1.5m b/d of oil exports to pay its debts. Mr Francisco Labastida Ochoa, the Mexican Oil Minister, flew to Vienna yesterday for talks with his Venezuelan counterpart, Dr Arturo Hernandez Grisanti, the Opec president. The Mexicans want the earliest possible explanation of Opec's policy in order to assess their ability to fund their debt repayment programme.

Observers were puzzled by a statement by Dr Hernandez Grisanti that the five ministers in Vienna had agreed "on the ways and means of reaching the objective" of increased market share. But it transpired that this meant that the ministers agreed that worldwide oil production restraint was the only means of avoiding a price war.

Opec delegates point out that the Gulf producers have not yet begun to exert maximum pressure on their North Sea counterparts because Saudi Arabia is still sticking to its previously-agreed production ceiling of 4.35m b/d. An official said yesterday: "If non-Opec producers continue to refuse accommodation then the Saudis could consider opening their taps." But such a policy would meet with great opposition from many other Opec members.

The Gulf producers had not been in favour of holding a full ministerial meeting as early as March, preferring to wait until non-Opec producers gave clear indications that they would reduce production.

● The steady fall in crude oil prices yesterday prompted the leading British oil companies to announce cuts of 3p (about 4 cents) on a gallon of four-star petrol. Diesel prices were cut by 6p a gallon.

Japan agrees to curb Falklands-area fishing

BY JIMMY BURNS IN BUENOS AIRES AND ROBERT GRAHAM IN LONDON

BRITAIN has won agreement from Japan in its attempts to curb over-fishing in the rich waters around the Falkland Islands.

Under the agreement, reached on January 21 when Mr Shintaro Abe, the Japanese Foreign Minister, met Prime Minister Margaret Thatcher in London, Japan has pledged to restrict its fishing activities in the 150-mile protection zone around the islands to present levels.

The British Government learned late last year that the Japanese intended to increase the number of vessels fishing in the protection zone. For the squid season beginning at the end of this month and lasting until early June, the number was thought likely to rise from 47 to close to 100.

Japan, along with the Soviet Union, Poland, Spain and Korea, has taken advantage of conflicting Anglo-Argentine claims of sovereignty to the islands and surrounding waters to exploit fish stocks since the 1982 conflict. Japan has been neutral on the Falklands issue but Argentina may see its acceptance of British requests for fishing restraint as a sign that the Japanese have implicitly accepted British sovereignty.

The agreement coincides with growing British concern over an Argentina-Soviet fishing deal.

World Weather

		°C	°F
Ajaccio	F	14	57
Algiers	C	13	55
Amsterdam	S	-1	30
Athens	F	7	45
[illegible]			
Edinburgh	C	3	37
Faro	F	13	55
Florence	R	10	50
Frankfurt	C	2	36
[illegible]			
Manila	C	31	88
Melbourne	S	22	72
Mexico City	S	23	73
Miami	C	24	75
[illegible]			
Rio de J'o	C	33	91
Rome	S	11	52
Salzburg	S	2	36
San Francisco	F	15	59
[illegible]			

Readings at mid-day yesterday.

C-Cloudy D-Drizzle F-Fair H-Hail Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

S. Africa: more equal but separate

Continued from Page 1

promiscuity of inner-city state schools, wealthy whites and wealthy blacks can and do opt in South Africa for their children to be brought up in contact with those of similar social backgrounds but different colour, race and culture.

A commitment to equal education was one of the key elements in Mr Botha's speech.

"I said we were committed to a single education policy. I have created a department to achieve this. Not millions but billions are being and will be poured into a programme that will mean equal education for all. That is reality," Mr Botha underlined in his signed advertisement.

But yesterday, at a briefing for foreign correspondents, Mr F. W. de Klerk, the Minister for National (meaning white) Education, when asked whether this meant an integrated education system, replied categorically: "Not while my Government remains in power."

The function of the single educational department mentioned by Mr Botha is not to integrate education but to create a set of common standards to ensure, forexample, a uniform standard for exams and certificates, a norm for educational buildings, teachers' salaries and per capita expenditure, with the aim of eventually closing the present enormous gap in educational spending between the different groups.

Despite the fact that expenditure on black education has risen sixfold in as many years, the figures for 1983-84 show that per capita spending on a white child's education was R1,854 – seven times more than the R235 spent on a black child in white South Africa. Even less is spent in the various homelands.

The Government is committed to bridging that gap as quickly as the economic situation allows and has embarked on a programme of school building and teacher training which Mr de Klerk describes as "a shining example to the rest of Africa and the world."

It is a brave promise which carries with it the seeds of momentous change in the status and job opportunities of the black majority. But it does not imply the end of separate development.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday February 5 1986

Tenneco suffers 32% fall in earnings

By Our Financial Staff

TENNECO, the diversified US group with interests including energy, farm equipment and shipbuilding, suffered a 32 per cent fall in net earnings from continuing operations last year due to continued weakness in many of its core businesses.

Profits at the continuing level dropped from $631m or $4.01 a share to $341m or $2.52. In the fourth quarter, net from continuing operations, fell from $136m or 84 cents a share to $100m or 53 cents.

In the latest quarter, a loss from discontinued operations of $19m made final net earnings $81m or 40 cents a share, compared with final net of $130m or 80 cents a year earlier, when there was a loss of $6m on discontinued operations.

Final net earnings for the year were $172m, or 72 cents a share, after a loss from discontinued operations of $259m. There were no special factors in the previous year.

The latest loss from discontinued operations includes $240m for the third-quarter write-off of the company's synfuels investments and a loss of $23m in connection with the proposed sale of the company's polyvinyl chloride business.

Tenneco said the decline in income from continuing operations for the latest year was due primarily to continued weakness in the natural gas industry, construction and farm equipment side, plant shutdowns, inventory reductions programmes, a lower level of interest capitalisation and a higher effective tax rate.

However, the company said that, despite the decline in 1985 earnings, its cash flow for 1985 was down only 20 per cent from 1984.

● HNG/InterNorth, the big US energy group formed by the merger of InterNorth and Houston Natural Gas last year, is restructuring its gas pipeline operations in response to stiffer competition in the industry.

The changes, which involve several personnel moves, will enable the business to seek new markets more aggressively, said Mr Dan Dienstbier, executive vice-president of gas pipeline operations, yesterday.

"In areas where it makes sense, we have simply consolidated functions to minimise costs. Most important, we have concentrated the management of transportation and exchange activities into one group," he said. The company's combined natural gas system totals 37,000 miles, extending from the Canadian to the Mexican borders, and from Florida to California.

DIVIDEND BOOSTED AGAIN AS FIRST QUARTER EARNINGS JUMP 23%

Siemens steps up spending to DM 6bn

BY JOHN DAVIES IN FRANKFURT

SIEMENS, the West German electrical, telecommunications and computer concern, is giving a further boost to investment as it pushes ahead with its ambitious expansion plans.

Its investment drive, launched with a 72 per cent rise to DM 4.15bn last financial year, is continuing with a 44 per cent increase to about DM 6bn ($2.5bn) in its current financial year to September 30.

Mr Karlheinz Kaske, the chief executive, said the higher investment was being spread across the company's activities at home and abroad. Only a small part was due to Siemens' major project to develop and manufacture new generations of microchips.

Including the cost of research and personnel training, Siemens' "future-oriented" outlays would rise from DM 0.6bn in 1984–85 to about DM 12bn this financial year. "This is more than is being invested in building the Channel tunnel in seven years," he said.

At the same time Siemens announced:

● Net profit after taxes reached DM 298m in the three months to December 31, 23 per cent more than in the first quarter of last financial year. Sales revenue was up 9 per cent at DM 10.8bn.

Mr Karlheinz Kaske – striving to keep up profitability

● In the US, where Siemens is rapidly expanding its activities, the group lost DM 75m last financial year because of the cost of restructuring Siemens-Allis, its power engineering equipment and automation systems unit.

● Siemens' liquid and near-liquid assets rose a further DM 1.1bn to DM 20.5bn last financial year "contrary to expectations" as a result of share capital increases and improved internal financing.

Siemens has already announced a sharply higher dividend for the second year in succession. It proposes to pay DM 12 per share on its 1984–85 results, compared with DM 10 the previous year and DM 8 before that. Its net profit, which has been rising because of better use of capacity, increased 43 per cent to DM 1.53bn last financial year.

Mr Kaske said Siemens was striving to keep up its profitability. It aimed to hold its earnings-to-sales ratio at 2.8 per cent, the level it reached last financial year and in the first quarter of this financial year.

He said Siemens' sales revenue of DM 54.6bn last financial year was inflated by final accounting for three nuclear power stations. Sales this year will probably be about DM 50bn.

The growth in new orders would be restrained by the lower US dollar and by slower growth in the world's electrical engineering market. The dollar fall would wipe about DM 1bn off Siemens' sales revenue and order inflow in terms of D-Marks this financial year, he said.

Mr Kaske said new orders declined 3 per cent to DM 12.7bn in the first quarter of this financial year, but this was almost entirely due to fluctuations in power station business. Leaving power station work aside, Siemens' domestic orders were up as much as 11 per cent. Its foreign orders were only slightly below the record a year ago.

In the US, Siemens hopes to lift sales by 24 per cent to $2.2bn this financial year as it continues its efforts to exploit what it has targeted as the biggest potential market for its business.

Mr Kaske said Siemens-Allis, with annual sales of about $700m, had gone through a difficult year, with competition from imports in the US putting pressure on prices. The business, which is being renamed Siemens Energy and Automation, has been restructured and its strategy redirected.

Mr Heribald Närger, Siemens' finance chief, said Siemens-Allis had pushed Siemens' American operations DM 75m into the red compared with a DM 27m profit the previous year. It was difficult to say when Siemens would return to profitability in the US because of the cost of its expansion. "It is like shooting at a moving target," he said.

Mr Kaske said Siemens' planned joint venture with GTE, the US telephone operator and equipment maker, would be a 50–50 partnership

Siemens has voiced alarm at reports that the Cartel Office wants to end the Siemens/AEG partnership in Transformatoren Union as a condition for approving the Daimler-Benz takeover of AEG. The loss-making transformer manufacturer is at present 75 per cent owned by Siemens and 25 per cent by AEG. Siemens executives said TU could face a serious situation if co-operation with AEG had to stop. They avoided saying whether Siemens was prepared to take over the AEG stake.

It is understood the Cartel Office believes that if AEG is to be strengthened by linking with the motor vehicle group, it should be in competition with Siemens as much as possible rather than co-operating.

Kodak speeds move into biotechnology with two new deals

BY PAUL TAYLOR IN NEW YORK

EASTMAN KODAK, the US photographic products and chemicals group, has extended its push into biotechnology through agreements announced yesterday with two leading companies in the field.

The two deals, a $30m joint venture agreement with Immunex and a collaborative technology agreement with Cetus, represent Kodak's boldest step in its recent rapid diversification into high-growth medical markets.

The joint venture with Immunex, a Seattle-based biotechnology company formed in 1981, will be called Immunology Ventures and aims to research, develop and market lymphokine therapeutic and related products. Lymphokines are naturally produced hormones and proteins which regulate the human body's immune system. Scientists believe they could help treat cancer, various infectious diseases and immune disorders.

Industry analysts have suggested annual sales of lymphokines could reach $1.7bn by the year 2000. Immunex is one of the leading companies in the field.

The Kodak agreement with Cetus, a California-based biotechnology company founded in 1971 and recognised as one of the pioneers of genetic engineering techniques, is aimed at developing new diagnostic products to test for common infectious diseases, various forms of cancer, pregnancy and infertility.

"Our goal is to combine Kodak's chemical technology and worldwide manufacturing and marketing capabilities with Cetus' expertise in monoconal antibody and DNA probe techniques to develop diagnostic products for use in the physician's office as well as hospital and commercial laboratories," said Mr Robert Hamilton, general manager of Kodak's clinical products division, and Dr Robert Fides, president and chief operating officer of Cetus.

The two executives foresee "a family of reliable, easy-to-use tests that could cut routine diagnostic test time from the typical 24 to 48 hour period to minutes." Kodak will have exclusive manufacturing and marketing rights to any products that stem from the partnership with Cetus while profits will be shared between the two companies.

Both deals highlight Kodak's emerging diversification strategy.

Quotron is confident 1986 profits will rise

BY DAVID GORDON IN LONDON

QUOTRON SYSTEMS, the US financial information company, announced reduced earnings on increased revenue for the fourth quarter of 1985 and the year. However, it is confident that profits will rise this year.

The company cited reduced demand for new services brought on by difficulties in the brokerage industry as the main reason for lower earnings.

Mr Milton Mohr, president, also pointed to expenses related to the introduction of the company's new Quotron 1000 terminal system as a substantial cause of reduced earnings. For the fourth quarter of 1985, net income was $6.04m, or 17 cents a share, compared with $6.81m, or 19 cents a year ago.

Revenues were $54.1m compared with $50.8m in 1984.

For the year, net income was down 18 per cent to $22.1m or 64 cents a share, compared with $26.8m, or 78 cents in 1984. Revenues grew 8 per cent to $205.7m in 1985 from $189.8m in 1984.

Mr Mohr's confidence of significant earnings increases in 1986 is based on renewed growth in the US brokerage sector, especially among regional firms, and greater penetration of foreign markets, mainly the UK.

Quotron will also try to increase the presence of its Quotron 1000 in the market using its alliance with American Telephone & Telegraph, as yet unconsummated by any contracts or agreements.

The alliance hooks Quotron 1000s into AT&T's communications networks as well as providing the company with access to AT&T's hardware and software technology. Mr Mohr also hinted that there might be an equity link between the two in future.

Elin Union abandons bid for Felten

By Patrick Blum in Vienna

ELIN UNION, the Austrian state-owned electrical group, has abandoned its plans to buy Felten Guillaume Energietechnik, a subsidiary of Philips Kommunications, part of Philips, the European electronics group.

Elin was forced to give up its bid to buy Felten Guillaume after the supervisory board of OIAG, the holding company for Austria's nationalised industries, failed to give the deal the necessary go-ahead at a meeting on Monday night.

No official reasons were given for the decision, but it is believed that Mr Oskar Gruenwald, the OIAG chairman, and several senior OIAG board members were unenthusiastic about the project. Industry analysts say that the deal may have been too great to handle for Elin and that in view of the current problems affecting Austria's nationalised industries, both the government and OIAG think that state owned companies should put their houses in order before engaging in further expansion.

Elin itself was bitterly disappointed not to be given the go-ahead. The company has been negotiating for months with Philips and had been lobbying hard to get government and OIAG approval. It had recently prepared a financial package with the support of an Austrian banking consortium to raise the estimated Sch 750m ($43m) for the purchase in the belief that the deal would be approved by OIAG this week just before the deadline for its negotiations with Philips expired. The company believed that buying Felten would have considerably strengthened its electronics activities.

Rauma profits slide but turnover up 7%

BY OLLI VIRTANEN IN HELSINKI

RAUMA-REPOLA, the Finnish metal and forest industry group, reports a 7 per cent increase in turnover to FM 7.9bn ($1.5bn) in 1985 while net profit declined by almost a third to FM 260m. The preliminary result includes a FM 70m provision for probable credit losses from sales of drilling rigs to Global Marine Inc, which declared bankruptcy recently.

Rauma still regards the result "satisfactory". Decline in results is attributable to the provision and other appropriations, as well as a weaker market situation in the forest-based industries.

The group's metal and engineering sector produced a "satisfactory" result although there is urgent need for new orders. Metal based industries account for 50 per cent of the group's total turnover.

The forest industry sector produced mixed results.

Gold Fields profit up

BY KENNETH MARSTON, MINING EDITOR IN LONDON

A FRESH advance in earnings is reported for the six months to end-December by Gold Fields of South Africa, the 48 per cent-owned South African mining finance house of London's Consolidated Gold Fields.

Net attributable for the half-year have risen to R111.8m ($49.9m) or 55 cents a share, from R77.5m a year ago when the total for the full 12 months to June 30 reached R201.3m. The interim dividend is raised to 55 cents from 40 cents; the total for 1984–85 was 120 cents.

The latest rise in earnings reflects the weakness of the South African rand against the dollar which has provided record rand gold prices and boosted profits and dividends at the group's gold mining interests.

GFSA says that providing there is no undue decline in the rand gold price, net earnings for the full year to June should show a "satisfactory" increase, although not at the same rate as that achieved in the first half.

Microsoft in public stock bid

By Louise Kehoe in San Francisco

MICROSOFT, the Washington State software company that publishes the "Operating System" program to control the basic functions of IBM personal computers and compatible machines, is to make a public stock offering.

The company filed registration papers with the Securities and Exchange Commission this week for an initial public offering scheduled for March of 2.5m shares priced between $16 and $19, putting the value of the stock offered at $40 to $47.5m.

The Microsoft stock offering is seen as part of a resurgence of public offerings by high-technology companies following a cooling of this market for the past year.

After the offering, Microsoft will have 24.7m shares outstanding, giving it a total market capitalisation of between $395m and $470m.

Microsoft had 1985 revenues of $162.6m and earned $31.2m, or $1.33 a share. The company had $57.6m in working capital and no long-term debts. Microsoft is one of the three leading US suppliers of personal computer software along with Lotus Developments and Ashton-Tate.

Privatbanken buys into stockbroking business

BY HILARY BARNES IN COPENHAGEN

PRIVATBANKEN, one of Denmark's three largest banks, is preparing to enter the stockbroking business as soon as this is permitted by a reform of the Copenhagen stock exchange – probably by the end of this year.

The bank has acquired a 10 per cent holding in A. Vollmond, a Copenhagen stockbroker, with an option to acquire the outstanding share capital when the reforms go through.

Under present rules, 27 stockbroking firms have a legally protected monopoly of trading. New legislation, tabled last week by Mr Ib Stetter, the Industry Minister, will give anyone the right to set up a private limited company for carrying out broking business.

One of the aims of the reform is to bring back a greater share of trading to the exchange. At present only about 3 per cent of bonds and 10 per cent of shares are traded on the stock exchange.

Privatbanken is the first bank to buy into a stockbroking firm. It is expected that all the other major banks will either set up their own broking businesses or acquire shares in existing brokers.

Baltica, the insurance group, acquired a holding in a broking firm last autumn and other insurance companies are also expected to follow suit.

Italian unit trusts reach record levels

ITALY'S unit trusts, which have been a major factor behind the bull run on the Milan bourse in the past 12 months, reached a total of L24,000bn ($14.6bn) in investment funds at the end of January, writes Alan Friedman in Milan. A fresh inflow of savers' funds during that month alone reached a record L4,500bn.

The growth of the unit trusts, which were authorised by legislation in late 1983 but only began operating over the past year or so, has for the first time brought individual investors to the Italian stockmarket. The total number of savers investing in the 42 authorised unit trusts has now reached 911,596, which compares with only 58,367 savers a year ago.

Likewise, the growth of investment funds has been phenomenal, increasing by more than tenfold in 12 months.

Italy has one of the highest savings ratios in the world but until the arrival of the unit trusts, exchange controls restricted investment opportunities largely to bank deposits, government bonds and postal savings.

Chile plans mine projects

By Mary Helen Spooner in Santiago

CHILE'S state mining company, the Corporación del Cobre (Codelco), plans to invest $300m this year in projects aimed at maintaining production capacity and curbing environmental damage at its mining complexes, Chilean mining minister Mr Samuel Lira announced.

Last year the company spent $364.8m on similar projects, and produced 1.71m tonnes of fine copper, a 2.57 per cent increase over 1984 production levels. Production of Codelco's other minerals also increased: Molybdenum production grew by 9 per cent to 18,390 tonnes, gold by 4.58 per cent to 17,600 kilogrammes and silver by 3 per cent

Copper production by Chile's small and medium-sized mines increased by 4.65 per cent last year, to 270,000 tonnes.

Ireland launches new equity market

BY HUGH CARNEGY IN DUBLIN

THE IRISH Stock Exchange which is governed by the London Stock Exchange, has launched a Smaller Companies Market in the hope of attracting equity capital to public liability companies with a turnover of less than I£4m ($5m).

The exchange is trying to be more relevant to the needs of Irish companies which, because of their small size relative to international competitors, have had to fund development through bank lending and government grants through the Industrial Development Authority (IDA).

The Dublin exchange has had only two full listings in the past 10 years. Even a listing on the Unlisted Securities Market can be expensive for small companies and the exchange in keeping its fee in the new market to I£500 a year which is waived in the first year.

In addition companies seeking a listing on the new SCM need supply only one year's annual accounts and have only to disclose shareholding in excess of 10 per cent of equity.

Mr Angus McDonnell, the Irish Stock Exchange president, said they hoped to attract five or six companies in the first year.

Initially, stockbrokers, merchant bankers, investment funds and the IDA are likely to approach the exchange on behalf of companies, since most directors of small companies would have had little or no experience with the stock market.

The new market recognises the secretive nature of small Irish family-owned businesses and will allow companies to obtain an SCM listing without releasing any of their own equity initially. Existing shareholders can therefore determine the likely worth of their holdings before deciding on whether to sell.

Famili-owned companies wishing to realise their holdings will be a a primary target for the exchange ,but start-up companies will also be handled.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Phelps Dodge swings back into profit

PHELPS DODGE, the leading US copper producer, swung back into profits last year as production increased and cost reductions took effect despite increased imports and strong price competition in the group's magnet wire division, writes Terry Dodsworth in New York.

Net income amounted to $29.5m, or 81 cents a share, against a loss of $267.8m, or $11.27 a share in 1984, while sales slid to $891.9m from $910.4m.

In the fourth quarter earnings came out at $6.8m, or 12 cents a share, compared with a loss of $217.6m, or $8.97 a share in the corresponding period a year earlier, as revenues rose to $225.4m from $217.8m.

The turnround last year largely reflected costly reorganisation in the previous year. That included a $110m charge against profits for a restructuring programme announced in the fourth quarter, losses on continuing operations of $94.4m and provision for a loss on discontinued operations – mainly the company's uranium and oil and gas segments – amounting to $85m.

Demonstrating the group's cost reductions, Phelps Dodge said operating earnings in its primary metals segment amounted to $62m in the year, compared with a loss of $101.9m in the same period of 1984.

● Inco, the Toronto-based supplier of more than a quarter of world nickel output, posted a profit last year for the first time since 1980, writes Bernard Simon in Toronto.

Net earnings totalled $52.2m, or 28 cents a share, compared with a loss of $77.3m, or $1.02 a share in 1984, as reported in brief yesterday. Fourth-quarter earnings climbed from $4.5m to $7.8m.

Annual sales rose from $1.47bn to $1.49bn, with higher alloy sales offsetting a fall in revenues from primary metals.

Inco said the turnround reflected lower costs in primary metal operations and wider margins for alloy products. The company has cut unit costs for nickel by more than a quarter since 1982, trimming its payroll by 12,000 workers, or 35 per cent of the total.

These benefits were offset during 1985 by lower precious metal prices and, in the fourth quarter, significantly lower nickel prices.

Lockheed reports record earnings

By Paul Taylor in New York

LOCKHEED, the US aerospace group, yesterday reported a 17 per cent increase in fourth quarter net earnings and record full year profits for the fourth consecutive year.

The Burbank, California-based group said net earnings increased to $128m or $1.98 a share in the final quarter, up from $109m or $1.65 a share in the year-ago period. Sales grew to $2.73bn from $2.54bn.

For the full year Lockheed reported net earnings of $401m or $6.10 a share compared to $344m or $5.28 a share in 1984 on sales which grew by $1.4bn to $9.5bn.

Mr Lawrence Kitchen, chairman and chief executive, noted that the improved earnings were the result of increased sales which produced higher programme (operating) profits, which grew to $733m from $650m in 1984. He noted, however, that operating profit margins last year were slightly lower than in 1984.

Sales to the US Government accounted for 88 per cent of 1985 total sales, 78 per cent for defence programmes and 10 per cent for non-defence programmes. Sales to foreign governments accounted for 7 per cent of total sales while commercial customers accounted for the remainder.

The group said its funded backlog at the end of the year stood at $9bn compared to $9.4bn 12 months earlier. *Total order backlog, including* $8.9bn in unfunded orders, stood at $17.9bn at the end of December compared with $22.8bn, including $13.4bn in unfunded orders, at the end of 1984.

● Grumman, the US aerospace group, yesterday reported a decline in fourth quarter and full year net earnings despite higher sales. The Long Island, New York-based group blamed the earnings decline on reduced profits in its aerospace business and a substantial increase in interest costs.

The company said fourth quarter net earnings fell by 17.7 per cent to $23.1m or 76 cents a share (74 cents a share fully diluted) from $28.1m or 94 cents a share (92 cents a share) in the year-ago period on sales which rose by 11.7 per cent to $831.9m from $744.7m.

Grumman said the quarterly earnings decline reflected lower profit margins on aerospace sales, a $3m loss on the sale of the Peartree Yachts division and costs resulting from the decision to abandon solar energy operations.

For the full year Grumman posted net earnings of $81.5m or $2.65 a share ($2.60 a share) compared to 1984 net earnings of $108.4m or $3.62 a share ($3.59 a share). Full year sales increased by 19 per cent to $3.1bn from $2.6bn.

Aerospace sales increased by $470m or 20 per cent last year, of which $244m reflected the F-14D and A-6F upgrade programmes performed at no profit. The rest of the increase came from deliveries of C-2A aircraft.

$220m charge at Continental

CONTINENTAL Corporation, owner of one of the largest US property-casualty underwriters, is to take a $220m charge in the 1985 fourth quarter which will result in an operating loss for the quarter and the year, writes Our Financial Staff.

The charge is the result of actions taken to strengthen reserves in the group's property-casualty, reinsurance and speciality lines because of increases in the severity of losses.

The company also said the charge would relate to a provision for doubtful reinsurance recoverables.

However, net income for the year, including capital gains, is expected to remain positive. Fourth-quarter and 12-month figures are due to be reported on February 13.

For 1984, Continental registered net operating income of $102m, or $1.93 a share. Net income after gains amounted to $305m.

The first nine months of 1985 produced an operating income of $57m, up from $48.1m

Continental's $220m charge is further evidence of the problems confronting some US underwriters. Last week, Cigna, one of the big three US composite insurers, revealed it expected to post a 1985 operating loss of $853m after taking a $1.2bn charge to cover higher-than-expected losses on its property and casualty insurance business.

The loss is the largest ever suffered by a US insurance company and bears out warnings by industry analysts that some companies have not been setting aside sufficient reserves to cover future claims.

Demand in doubt for US foreign targeted bonds

BY MAGGIE URRY

CAN THE US Treasury persuade overseas investors to buy its paper at a yield well below that on its domestic issues? It has done so in the past, and today it is trying again with a $1bn 10-year issue targeted at foreign investors as part of its quarterly refunding programme. Yesterday the new issue was trading in the "when-issued" market at a yield around 25 basis points below the domestic market.

Two issues of foreign targeted bonds appeared in the autumn of 1984 and one last June. The Treasury is keen to raise money from new sources in its constant battle with the budget deficit. If it can save money at the same time, so much the better.

The issues are in a special registered form so investors can, in theory, maintain their anonymity while the Treasury can be sure that no US citizen is buying them to avoid tax. Each issue was for $1bn and was auctioned at a yield below the corresponding domestic issue, although the second gave the Treasury only a slim saving. The Treasury would not sell them at a yield above the level accepted in the domestic offering.

Of no interest to institutional investors

But many in the Eurobond market are asking why should anyone want to buy targeted bonds when they can earn higher yields elsewhere? The issues are of no interest to institutional investors, who can happily buy the higher-yielding domestic Treasury bonds, unconcerned about giving away their identity. There is a big demand for US Treasury bonds from abroad; the latest figures show that $210.2bn of US public debt is held outside the country, 15.7 per cent of the $1,338bn of the Treasury's debt held in private hands.

The relatively small size of the individual issues and the short list of stocks outstanding makes them unpopular with traders, too. Only a few market makers run books in the issues and dealing spreads can be much wider than for the domestic issues. "You can drive a truck through the spreads," remarks one trader.

They complain that there is not sufficient liquidity in the issues, that they cannot borrow stock if they are short, that orders are small. One dealer at a major US house, active in the Treasury market, even admits "we do not trade them. If we have a client order we go to one of the other houses." An observer notes that "quotes vary considerably from week to week and from trader to trader."

Secondary market traders have also been caught by squeezes in the issues, where anyone short of stock is forced to buy it back at a high price, giving a yield well below its domestic counterpart. The squeezes have been made possible by the small size of the issues, which can be reduced even further by investors switching them back into the domestic form, after which they cannot be retransferred into targeted bonds. So far, about 25 per cent of the first two issues has been switched back into the domestic market at times when yields between the two markets were similar.

If neither the institutions nor the traders like them, who does? There are two other possibilities. First is that retail demand for the issues has been high and the lower yield is the price these investors have been prepared to pay for anonymity. In the earlier issues that was a powerful argument, though many had doubts about the registration procedure, and the auctions were oversubscribed.

However, many houses which bid on earlier occasions may drop out this time. "We just do not have any demand from clients," says one, while another says "there is a scattering of interest, but not the kind of demand we saw last time round, and that wasn't great."

The anonymity afforded by the special registration procedure adds to the mythology of the bond market. Many traders suppose that Swiss retail investors are behind the US Treasury's ability to sell its debt in this form. Even if that was true in earlier issues, time have changed. One Swiss bank elaborates, "There is absolutely no interest from our clients. They can now buy Eurobonds with higher yields from good quality borrowers."

Political motivation for Japanese houses

Eurobond yields have risen in comparison to US Treasury bonds over the last year, and many top sovereign or supra-national names and AAA rated corporates are now paying yields above US Treasury yields. The anonymity of holders of these bonds is even safer since they are issued in bearer form.

Credit Suisse, one of the big three Swiss banks, has nonetheless recommended clients to buy these targeted Treasuries. Credit Suisse First Boston in London led a syndicate to bid in the first issue and expects to be bidding this time around.

The other source of demand is likely to be the Japanese. Although investors in Japan are important buyers of the higher yielding domestic Treasury issues, the Japanese securities houses may have a political motivation for bidding in the auctions. These houses are keen to acquire primary dealer status in the US and are anxious to show willing in bidding for new issues. They may be prepared to bid for the targeted portion of the issues as well as the domestic issues, and have been prominent in previous auctions.

However, the whole issue has mystified bond traders and new issue managers alike. One may have summed it up best by saying: "These targeted issues are one of the greatest hypes of all time."

FFr 1.2bn in Eurobonds expected this month

By Peter Montagnon, Euromarkets Correspondent

FRENCH BANKS will launch a total of FFr 1.2bn in franc Eurobonds this month, according to the calendar agreed on Monday night with the Finance Ministry.

The total, which is slightly down on January's FFr 1.3bn, will include three issues, starting with a FFr 500m bond for Credit Foncier de France, the state financing agency, later this week.

This will be followed by a FFr 200m issue for the World Bank led by Credit Agricole and a FFr 500m bond for Nersa, the European nuclear agency.

Dealers said the total should be placed quite easily because the Eurofranc market is currently being pushed upwords by a strong domestic market.

This has offset caution among foreign buyers of franc paper, who have worried that the French franc could be devalued in the European Monetary System after the parliamentary elections next month.

Bankers expect issues of French franc Eurobonds to continue through March. Based on present market prospects, there should be no need to interrupt primary market activity because of the elections.

Paribas in controversial SNCF offer

By Our Euromarkets Correspondent

Banque Paribas Capital Markets has become the first Eurobond house publicly to offer a bond issue consisting entirely of bonds bought through the exercise of warrants.

It has bought $50m of seven-year, 12½ per cent bonds from SNCF, the French railways, through exercising warrants originally issued in December 1984 and is reselling them to investors at a price of 114½.

Though similar deals have been done privately by other houses, this is the first public launch of such an issue. It was regarded as controversial yesterday, partly because of the high premium over par at which the bonds were on offer.

After discounting the commissions of 1⅞ per cent, the deal carries a yield some 67 basis points over the latest US Treasury issues, which Paribas said yesterday was around 11 points higher than outstanding SNCF issues in the Euromarket.

Paribas argues that this yield premium was made possible because leck of liquidity in the original warrants had made them underpriced.

Paribas quoted the new bonds at 112¾ yesterday afternoon, suggesting that it could have made a substantial profit from the deal, although it would not disclose the price it paid for the warrants.

Gold warrant from Bank Leu

By John Wicks in Zurich

BANK LEU, of Zurich, yesterday announced the first-ever gold-based warrant issue to be made on the Swiss capital market.

The SFr 100m bond issue, with a 10-year maturity, is being offered until February 12 at a coupon of 2.75 per cent and priced at par.

Each SFr 5,000 bond bears two warrants, each of which is exchangable for 100 grammes of 999.9/1,000 fine gold at an option price of SFr 2,700 between April 15 of this year and March 1 1989. The bonds will be listed on the Zurich Stock Exchange.

Bank Leu, the smallest of Switzerland's "big five," is a looding international specialist in gold trading.

DOMESTIC BOND MARKETS

Frankfurt firm despite dollar

Prices of domestic bonds ended a moderately active bourse session higher in Frankfurt with foreign investors opening fresh positions despite the continuing rise in the dollar.

Firmer US credit markets helped prices which rose by up to 20 pfennigs.

The Bundesbank sold DM 49.5m of domestic paper today after selling DM 70.3m on Monday. The 10-year, 6¾ per cent Federal Government loan stock was little changed and quoted at a discount of around ¼ to its 100¼ issue price.

Zurich steady

SWISS FRANC domestic bonds ended steady to slightly firmer in Zurich on fairly active demand. In first time trading the 4¾ per cent Kernkraftwerk Botoiligungsgesellschaft was quoted at 99¼ per cent, up 0.25 points from its 99 per cent issue price. Public authority bonds were sought by major banks and institutions. Bonds with warrants firmed in line with the upturn on the local stock exchange.

Agencies

Eurodollar rise tempts borrowers

BY MAGGIE URRY

A BETTER tone in the Eurodollar bond market, spurred by a firmer New York market, encouraged borrowers to come forward with issues. Fixed rate Eurodollar bonds were showing gains of around ½ point.

The first US corporates' straight issues for some time were appearing, with General Electric Credit (GECC) asking banks for bids on an issue expected to be launched today, and American Medical International raising $75m through a seven-year issue.

Yet yields on US corporate paper have risen relative to US Treasury bonds, and traders felt that this was not fully taken into account by pricings for the deals. The GECC issue will be for $300m and have a seven-year life. Merrill Lynch will be lead manager, and the terms are likely to give the borrower a slim cost of funds over Treasury yields.

The AMI issue, with a weaker credit rating than GECC, has a coupon of 9⅞ per cent and issue price of 101, offering a yield around 55 basis points above Treasuries taking fees of 1⅞ per cent into account. The bonds were bid at that discount. Lead manager is LTCB International.

Equity-linked issues are still popular, however, and Credit Suisse First Boston set a 6¾ per cent coupon and 20 per cent conversion premium for the $125m Calfed issue. Investors have a put option after seven years at 123 to give a 9 per cent yield.

Mitsui Bank is the latest Japanese bank to issue convertible bonds and launched two deals, one for $100m and the other for SFr 100m. The dollar issue is led by Mitsui Finance International and has an indicated coupon of 2⅞ per cent and par issue price, with a 15-year life. The Swiss franc issue has a five-year life and is led by SBC. Here the coupon is indicated at 2 per cent. Final terms for both will be set on February 13. Both deals were meeting a good initial response.

In the D-Mark market, the World Bank launched a second zero coupon issue which will be interchangeable with its first 30-year deal, done in December, from February 24. The new one has a redemption value of DM 1bn, the same as the older issue, and is issued at 16.60 to give a yield of 6.20 per cent. The last issue had been a great success, rising from the 13.00 issue price to 17.00. Yesterday both were trading above the 16.60 level, offered above 17.00. Lead manager once again is Deutsche Bank.

No other new issues appeared in this sector. Secondary market prices gained ¼ point or more, helped by the New York market, though volume was moderate.

In the Euro-Australian dollar market National Westminster Bank launched a A$75m seven-year deal which is not swap-related. The size and maturity are unusual in the sector but the name is well liked. The coupon was set at 14½ per cent and issue price at 100½ by County Bank. The bonds were bid at 98½, a discount equal to the 2 per cent fees.

Philips Industries Australia launched a A$40m issued led by Amro (Hong Kong) and targeted at investors in Asia and the Pacific area. However, traders expected that the bonds would drift back to the Netherlands where good demand is expected. Terms on the five-year issue are a 13½ per cent coupon and par issue price. There was little sign of trading in Europe yesterday.

Late in the day Bank of Tokyo International launched two deals which are connected. Canadian National Railway is raising Y10bn, while Bank of Tokyo is issuing C$70m of bonds, a roughly similar amount. Both mature on March 26 1996. The yen issue pays a 6¾ per cent coupon and has a 101½ issue price. The C$ deal has a 10½ per cent coupon and 101½ issue price. Wood Gundy is co-lead on both deals.

There was more activity in the Swiss franc foreign bond new issue market than of late. Apart from the Mitsui Bank issue, Societe Cofiroute, the French motorway construction company, launched a SFr 125m public issue led by Banque Paribas (Suisse). This has a 10-year life and terms are indicated at a 5½ per cent coupon and 99½ issue price.

Toko, the Japanese electronics company, is raising SFr 70m through a private placement led by Credit Suisse. This has a five-year life and carries equity warrants. The yield was indicated at 2½ per cent.

UBS set the terms for Tohoku Electric Power's SFr 150m issue fixing a 10-year life and a 5½ per cent coupon with a 99½ issue price.

In the secondary market prices were ahead by up to ½ point, with the tone improved.

In the Euro-Danish kroner market Banque Francaise du Commerce Exterieur's issue, led by Enskilda Securities, has been increased from DKr 300m to DKr 400m in response to strong demand. It continued to trade well, at as bigh as 99½.

● Goldman Sachs is again offering put and call options on the new Treasury long bond to be auctioned tomorrow. There are 250,000 of each. The calls are priced at $35 with a strike price of 2 points above the average price in the auction, while the puts priced at $40 have a strike price of 5 points under the average price. The optiono must be exercised by February 17 1987.

S-E Banken plans first Swedish floating-rate note

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

THE FLOATING RATE NOTE (FRN) has finally reoched the Swedish capital market with the decision by Skandinaviska Enskilda Banken lo issue a SKr 500m FRN with a five-year maturity.

The Swedish market, isolated by foreign exchange regulations, has been slow to pick up on some of the financial innovations of the Euromarkets.

Mr Mats Thulin, director of money and capital market operations at S-E Banken, Sweden's largest commercial hank, said yesterday that the big institutions, Insurance companies and pension funds, had been very conservative investors

The FRN to be issued by S-E Banken will pay an interest rate of 0.25 per cent above the rate for three-month Swedish Treasury bills. Interest will be paid quarterly.

A secondary markot will be creoted by four institutions, S-E Banken, Swedbank (the central bank of the savings banks), and two brokerage houses.

Foreign exchange regulations mean that the new instrument will not be ovailable to foreign investors.

For S-E Bankeo the FRN has the attraction of serving as subordinated capital rather than as certificates of deposit. The banks must currently place 3 per cent of cash reserves, intrest-free, with the central bank.

Mr Thulin said, however, that the main purpose of introducing the FRN to Sweden was to offer the market a new instrument and to raise capital, rather than to aid funding.

Japan to issue short-term government securities

BY YOKO SHIBATA IN TOKYO

JAPAN'S Ministry of Finance is to issue government bonds maturing in less than one year, starting this month. It will offer three- to six-month securities worth Y300bn to Y400bn on a discount basis in trading lots of Y100m.

The decision was triggered by the lowering of short-term interest rates after the 0.5 per cent cut in the discount rate last Thursday.

Japan's short-term financial market lags behind others and is disproportionately small. The country has been pressed to expand it by US and other European financial outhorities and the MoF promised to issue short-term government paper aftor meetings last year.

The Japanese securities industry bopes short-term government bonds will play a major rolo in tho expansion of the short-term market and intends to develop them into major financial instruments. However, eligihle huyers will be limited to institutional investors and banks and securities houses will not be allowed to sell the new instruments to individuals.

● Japan's two major stock exchanges in Tokyo and Osaka ere to trade detachable warrant bonds and foreign currency-denominated bonds Issued by foreign entities (Shogun bonds) from March 3.

The bonds to be listed are three issues quoted in US dollars by the World Bank, Australia's state of New South Wales and the Bank of China, and an Australian dollar issue by the Victorian Public Authorities Finance Agency of Australia.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on February 4

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amev 10¼ 92	100	103⅞	104¼	+0⅛	+0⅛	9.49
Amex Credit 10¼ 90	100	105⅞	106⅛	+0⅛	+0⅞	9.14
Atlan. Richfield 10⅛ 00	250	101¾	101⅞	+0⅛	+0⅛	10.02
Australia Com. 11 95	200	109⅞	110⅛	+0⅛	+1⅞	9.32
Australia Com. 11¼ 00	200	111⅛	111⅜	+0⅛	+1⅛	9.74
BP Capital 11¼ 92	150	107	107⅛	+0⅛	+0⅛	9.49
Campbell Soup 10⅞ 95	100	107⅛	107⅜	+0⅛	+0⅛	9.27
Canada 11¾ 90	500	108⅞	109⅛	+0⅛	+0⅛	8.88
Canadian Pac. 10⅛ 93	150	104⅛	105⅛	−0⅛	−0⅛	9.78
Canadian Pac. 12¼ 95	75	110⅞	111⅛	+0⅛	+0⅛	10.30
CEPME 10⅛ 91	100	104⅞	105	+0⅛	+0⅛	9.01
Chevron USA 12⅛ 89	600	105	105⅛	+0⅛	−0⅛	10.40
Citicorp 10 88	200	102⅛	102⅞	+0⅛	+1⅛	8.77
Citicorp 10⅞ 95	200	102⅛	102⅞	+0⅛	+0⅛	10.10
Coca Cola 11¾ 91	150	107⅛	108⅛	+0⅛	+0⅛	9.84
Denmark Kgdm. 11¾ 89	100	105⅞	106⅛	+0⅛	+0⅛	9.86
Denmark Kgdm. 11¾ 90	100	107⅛	108⅛	0	+0⅛	9.19
Denmark Kgdm. 11¾ 92	100	108⅞	109⅛	0	+0⅛	9.45
EDF 10 90	225	102⅛	103⅛	+0⅛	+0⅛	9.48
EEC 9¾ 00	350	102⅛	102⅛	+0⅛	+0⅛	9.32
EIB 10⅛ 94	200	104⅛	104⅞	+0⅛	+0⅛	9.43
EIB 12 95	200	114⅛	115	+0⅛	+1	9.51
Eli Lilly 10⅛ 92	150	106⅛	106⅛	+0⅛	+0⅛	8.81
Equit. Lrd. Rity. 10⅞ 97	100	102⅛	102⅛	+0⅛	+0⅛	10.14
Export Dev. Cpn. 10 90	100	104⅛	104⅛	+0⅛	+0⅛	8.72
Export Dev. Cpn. 12 89	100	109⅞	110⅛	+0⅛	+0⅛	8.71
Fed. Dep. Strs. 10⅛ 95	100	103⅛	104	+0⅛	+0⅛	9.49
Ford Motor Crd. 10⅛ 91	150	103⅞	104⅛	+0⅛	+0⅛	9.58
Ford Motor Crd. 11¾ 90	100	105⅞	106⅛	+0⅛	+0⅛	9.48
Ford Motor Crd. 12 95	100	108⅞	109⅛	+0⅛	+0⅛	10.36
Gen. El. Cred. 10⅛ 00	200	103⅞	104⅛	+0⅛	+0⅛	9.73
GMAC 10⅛ 89	200	103⅞	104⅛	+0⅛	+0⅛	8.76
GMAC 10⅛ 92	250	103⅞	104	+0⅛	+0⅛	9.49
IADB 9⅞ 90	200	102⅛	102⅛	+0⅛	+0⅛	9.49
IADB 10⅛ 90	150	106	106⅛	+0⅛	+0⅛	9.46
Kellogg Co. 10⅞ 90	100	105⅛	105⅛	+1⅛	+0⅛	0.16
Kellogg Co. 11¾ 92	100	107⅛	108	+0⅛	+0⅛	9.50
LTCB 12⅛ 91	100	115	115⅛	+0⅛	+0⅛	9.30
Nippon Cr. Bk. 10⅞ 95	150	105⅞	106⅛	+0⅛	+0⅛	9.63
Pillsbury Co. 10⅛ 93	100	102⅛	103⅛	+0⅛	+0⅛	9.89
Proct. & G. 'A' 9⅞ 92	150	102	102⅛	+0⅛	+0⅛	9.40
Pru Realty S. 12⅛ 95	546	111⅛	112⅛	+0⅛	+0⅛	10.05
Qantas Airways 10⅛ 90	140	105⅞	106⅛	+0⅛	+0⅛	9.35
Quebec Hydro 11⅞ 92	100	108⅛	109⅛	+0⅛	+0⅛	9.43
Queensld. Gvt. 10⅛ 95	100	104⅛	104⅞	+0⅛	+0⅛	9.48
Ralston Purina 11¾ 95	150	109⅛	110⅛	+0⅛	+0⅛	10.04
Ralston Purina 12⅛ 89	100	110⅛	110⅛	+0⅛	+0⅛	9.22
Saskatchewan 10⅞ 92	100	106⅞	107⅛	+0⅛	+0⅛	9.15
Saskatchewan 11⅞ 89	100	106⅛	107⅛	+0⅛	+0⅛	9.78
Statoil 10 90	170	102⅛	103⅛	+0⅛	+0⅛	9.96
S. Wales Trsy. 11⅛ 90	150	104	104⅛	+0⅛	+1	9.02
Swed. Exp. Cred. 10 92	150	103⅛	104⅛	+0⅛	+0⅛	9.19
Sw. Ex. Cr. 12⅛ 89 XW	100	108⅞	109⅛	+0⅛	+0⅛	9.58
Sweden Kgdm. 10⅛ 90	200	106⅛	107	+0⅛	+0⅛	8.89
Sweden Kgdm. 11⅞ 89	200	108⅛	109⅛	+0⅛	+0⅛	8.44
Sweden Kgdm. 11⅞ 94	150	110⅛	111⅛	+0⅛	+0⅛	9.92
Tenneco Cpn. 10⅛ 95	100	104⅛	105⅛	+0⅛	+0⅛	9.92
Utd. Tech. Fin. 10⅛ 95	100	104⅛	105⅛	+0⅛	+0⅛	9.81
Victorian Rep. 11⅛ 92	150	109⅛	110⅛	+0⅛	+0⅛	9.44
World Bank 10⅛ 90	300	104⅛	105⅛	+0⅛	+0⅛	9.28
World Bank 12⅞ 94	200	118⅛	119	+0⅛	+0⅛	9.56

Average price changes... On day +0⅛ on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 6 94	200	100⅛	100⅛	0	−0⅛	6.96
Austria Republic 7⅛ 94	200	106	106⅛	+0⅛	+0⅛	6.80
Baxter Travenol 7⅛ 94	200	102⅛	103	+0⅛	+0⅛	6.80
Copenhagen 7⅛ 95	150	102⅛	103⅛	0	+0⅛	6.92
Credit National 6⅞ 94	200	107⅛	107⅛	0	0	6.66
Dow Chemical 6⅛ 95	200	†101⅛	101⅛	−0⅛	−0⅛	6.64
EIB 7⅛ 94	300	103⅛	104⅛	0	0	6.63
ESCOM 8 92	150	96⅛	96⅛	+1⅛	+2	9.32
Ex.Im. Bk. Korea 7⅛ 90	100	100⅛	101⅛	+0⅛	+0⅛	7.32
Ferrovie Dello St. 0 91	100	100	100⅛	+0⅛	+0⅛	6.75
Finland Republic 7 92	200	102⅛	103⅛	+0⅛	0	6.41
Gould Int. Fin. 7⅛ 91	100	104⅛	105	−0⅛	−0⅛	6.52
Ireland 6⅛ 92	150	105⅛	106	−0⅛	+0⅛	6.95
Japan Fin. Con. 7⅛ 91	100	104⅛	104⅛	−0⅛	−0⅛	6.80
Mtsbshi. H. 3⅞ 89 WW	300	160	161⅛	+0⅛	−1⅛	−11.39
Mtsbshi. H. 3⅞ 00 XW	300	93⅛	93⅛	+0⅛	+0⅛	5.97
Mtsbshi. M. 3⅞ 89 WW	100	105⅛	106⅛	+0⅛	+0⅛	1.45
Mtsbshi. M. 3⅞ 89 XW	100	91⅛	92	−0⅛	0	6.59
Ontario-Hydro 7⅛ 95	200	104⅛	104⅛	0	−0⅛	6.46
Renfe 7⅛ 90	100	104⅛	105	−0⅛	−0⅛	7.03
Soc. C. Nuclear 7⅛ 95	150	101⅛	102	+0⅛	+0⅛	6.88
Soc. C. Nuclear 8 91	100	105⅛	105⅛	0	+0⅛	6.71
S. Africa Tran. 7⅛ 92	150	92	92⅛	−0⅛	−0⅛	8.69
World Bank 7 95	800	103	103⅛	0	−0⅛	6.52

Average price changes... On day +0⅛ on week 0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avon Cap. Con. 5⅛ 94	100	†101	101⅛	0	0	5.21
Br. Land Comp. 6⅛ 95	75	†104⅛	105	−0⅛	+0⅛	5.97
Council of Europe 6 92	120	†103	103⅛	−1	−2⅛	5.43
Creditanstalt 5⅛ 94	100	†101	101⅛	−0⅛	−0⅛	5.34
Deutsche Bk. 5⅛ 95	100	†104⅛	104⅛	0	0	4.73
EIB 5⅞ 94	120	†103	103⅛	−0⅛	+0⅛	5.41
Gen. Occidentale 4⅞ 94	80	†100	100⅛	0	−2⅛	3.29
Glendale F. S&L 5⅞ 95	100	†99	99⅛	0	0	5.82
Ind. F. Finland 6⅛ 94	100	†101⅛	102	+0⅛	+0⅛	5.47
Int. Am. Dv. Bk. 6⅛ 94	120	†104⅛	104⅛	+0⅛	+1⅛	5.44
N. Zealand Steel 5⅛ 95	70	†101	101⅛	0	+0⅛	5.61
Oberos. Kftwk 5⅛ 95	100	†101⅛	102⅛	+0⅛	−0⅛	5.61
Olivetti Intl. 5⅛ 95	100	†101⅛	102	−0⅛	0	5.24
Pepsico 5⅛ 95	130	*†102⅛	103⅛	−1⅛	−1⅛	4.89
Ralston Purina 5⅞ 94	125	†102⅛	103⅛	−0⅛	−0⅛	4.96
Santos Finance 0 94	130	*†101⅛	101⅛	+0⅛	0	5.79
Tokyo Elec. Pr. 5⅞ 93	120	†104	105⅛	0	−0⅛	4.79
Tokyo Metropolis 5⅛ 94	80	*†101⅛	101⅛	0	−1⅛	5.02
World Bank 5⅛ 94	150	†104	104⅛	+0⅛	+0⅛	5.16

Average price changes... On day −0⅛ on week −0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Allied-Signal 6⅛ 93	20	98⅛	99⅛	−0⅛	−0⅛	6.90
Calsse Nat. Tel. 6⅛ 92	25	99⅛	99⅛	+0⅛	+0⅛	6.45
Ford Motor Crd. 6⅛ 91	20	99	99⅛	−0⅛	−0⅛	6.92
Goodyear T. & R. 7⅛ 95	25	101⅛	101⅛	0	+0⅛	6.80
Mt. Bk. Denmark 7 92	10	101⅛	101⅛	0	+0⅛	6.71

Average price changes... On day 0 on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Barclays Au. 12⅛ 00 A$	50	92⅛	93⅛	−0⅛	+0⅛	14.71
Creditanstalt 12⅞ 90 A$	50	98⅛	99⅛	+0⅛	+0⅛	13.20
Pepsico C. R. 13 90 A$	50	99⅛	100⅛	0	0	12.90
Swed. Ex. Cr. 13 88 A$	40	99⅛	99⅛	−0⅛	+0⅛	13.68
Amex 10⅛ 90 C$	50	103⅛	103⅛	+0⅛	−0⅛	9.74
Cannd. Pac. 10⅛ 00 C$	75	101⅛	101⅛	+0⅛	−0⅛	9.96
CIBC 10⅛ 90 C$	75	100⅛	100⅛	−0⅛	0	10.75
Genstar Fin. 11⅛ 95 C$	75	103⅞	104⅛	+0⅛	+2	11.00
Montreal 11⅞ 95 C$	75	102⅛	102⅛	−0⅛	−0⅛	11.08
Ryl. Trustco 10⅛ 90 C$	75	97⅛	98⅛	−0⅛	−0⅛	10.84
Seem Acc. 10⅛ 92 C$	75	100⅛	100⅛	−0⅛	−0⅛	10.57
Coca-Cola F. 17 90 NS	75	102⅛	103⅛	+0⅛	+0⅛	15.83
Kredtbk. Lux. 17 88 NS	70	99	100	0	0	17.10
Nordic I. Bk. 18 88 NS	50	98⅛	99⅛	0	0	18.33
Copnhgn. C. 8 95 Ecu	40	98⅞	100⅛	+1⅛	+1⅛	9.98
Eutelsat 9 93 Ecu	50	99⅛	100⅛	+0⅛	+0⅛	9.02
Walt Disney 8⅛ 94 Ecu	63	98	98⅛	+0⅛	+0⅛	8.87
Honda WW 3⅞ 90 Fl.	100	104⅛	105⅛	+0⅛	−0⅛	2.61
Honda XW 3⅞ 90 Fl.	100	91	91⅛	+0⅛	+0⅛	6.35
Thyssen 7⅛ 90 Fl.	50	102⅛	103⅛	−0⅛	0	9.48
Wereldhave 7⅛ 00 Fl.	75	102⅛	102⅛	0	0	6.79
Wessanen 6⅛ 90 Fl.	50	100⅛	101⅛	0	0	6.51
Mobil Cpn. 11⅛ 00 FFr	500	†104⅛	104⅛	+0⅛	+0⅛	9.84
Amev 11 90 £	60	94⅞	95⅛	−0⅛	+0⅛	12.06
Australia Com. 11 92 £	40	96⅛	97⅛	−0⅛	+1	11.73
EIB 11⅛ 93 £	50	98⅛	99	0	+1⅛	11.36
GMAC UK F. 10⅛ 00 £	30	96⅛	97⅛	0	+0⅛	11.36
Imp. Ch. Ind. 11⅛ 95 £	75	96⅛	97⅛	−0⅛	+0⅛	11.79
Imp. Ch. Ind. 10⅛ 92 £	75	94⅛	95⅛	+0⅛	+1⅛	11.86
McDonalds 10⅞ 00 £	40	97⅛	97⅛	0	+0⅛	11.64
Mtsbshi. F. NK 11 90 £	50	97⅛	97⅛	+0⅛	+1⅛	11.68
NSW Treasy. 10⅛ 92 £	50	94⅛	95⅛	0	+1	11.73
Rank Xerox 11 92 £	40	96⅛	96⅛	−0⅛	+0⅛	11.83
Royal Ind. 10⅛ 92 £	60	94⅛	94⅛	−0⅛	+0⅛	11.94
J. Sainsbury 10⅛ 93 £	60	94⅛	95⅛	0	+0⅛	11.97
Tricentrol XW 11 92 £	35	90	90⅛	−0⅛	+0⅛	13.30
Tatbsa. Perte 11⅞ 90 £	50	96⅞	97⅛	−0⅛	+0⅛	12.01
World Bank 11⅛ 90 £	100	98⅞	98⅛	+0⅛	+1⅛	11.39
COE 8⅞ 90 LFr	600	98⅛	99⅛	+0⅛	−0⅛	9.00
N. Lux. Al. 10⅞ 92 LFr	600	103⅞	104⅛	+0⅛	+0⅛	9.43

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Abbey National 5 2000 £	0⅛	98.17	98.22	15/1	11⅛
Anglia Bldg. S. 6 £	0⅛	99.84	99.61	14/4	11⅛
Bankers Trust 5 2000	0⅛	99.92	100.02	11/3	8.31
BFCE 5⅛ 98	0⅛	100.07	100.17	13/3	8⅛
BNP 5⅛ 95	0.05	101.25	101.35	10/1	8.69
BNP 5⅛ 99	0⅛	100.14	100.24	22/3	8⅛
Britannia 5 92 £	0⅛	99.46	99.51	8/4	11⅛
CCF 5⅛ 97	0	99.44	99.54	5/4	8.00
Chase Man'tn 5⅛ 2009	0⅛	99.36	100.05	5/3	8.31
Citicorp 6 2035	0.225	98.87	98.97	27/1	8.23
Credit Lyonnais 5⅛ 96	0⅛	100.71	100.81	11/4	8⅛
Credit Lyonnais 6 2000	0⅛	100.10	100.26	10/1	7.94
EEC 5 90	0⅛	99.76	99.86	8/7	8.06
ENEL 6 2000	0⅛	99.95	100.05	1/3	8⅛
Ireland 5⅛ 97	0⅛	99.98	100.08	28/2	8.44
Lloyds Bank Perp.	0⅛	100.22	100.32	9/6	8⅛
Midland Bk. Perp. 5	0⅛	100.17	100.27	13/6	8⅛
NatWest Perp. A	§0⅛	100.18	100.28	8/7	8.31
NatWest Perp. B	§0⅛	100.17	100.27	10/2	8⅛
Prudential Cpn. 4 95 £	0.1	99.26	99.35	5/3	11.78
R. Bk. Scotland 6 Perp	0⅛	100.07	100.17	11/6	8.44
R. Bk. Scot. 5⅛ 2005 £	0⅛	99.10	99.20	4/2	11⅛
Societe Generale 5⅛ 97	0⅛	100.12	100.22	18/3	8⅛
United Kingdom 5 92	0	99.96	100.05	7/7	8.06
Woolwich 5 95 £	0⅛	99.28	99.34	19/2	11.69

Average price changes... On day +0.01 on wk. −0.01

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053	140⅛	141⅛	−0⅛	5.82
Comcast 7 2000	12/85	23.87	†115⅛	118⅛	+0⅛	19.38
Fanuc 3⅛ 98	1/84	7032	200⅞	202⅛	−3⅛	62.91
Fuji Hvy. Inds. 3 2000	8/85	676	94⅛	95⅛	−1⅛	−2.57
Fujitsu 3 99	5/84	1320	105⅞	106⅛	−2⅛	8.59
Kamagai Gumi 3⅛ 2000	3/85	600	193⅛	195⅛	−1⅛	8.72
Marui 3⅛ 98	7/84	1162	170⅞	171⅞	−0⅛	−0.98
Mitsubishi Bank 2⅞ 00	8/85	1768	103⅛	104⅛	−0⅛	−1.80
Mitsubishi Elec. 2⅞ 00	3/85	422	106⅛	107⅛	−0⅛	−1.86
Murata 3⅛ 2000	7/84	2398	139⅛	140⅞	−2⅛	15.83
Nippon Elec. 2⅞ 2000	1/85	1296	127⅛	128⅛	−1⅛	49.67
Nippon Oil Co. 3 2000	5/85	823	112⅞	113⅛	−0⅛	−2.98
OKI Elec. Ind. 3⅛ 99	10/84	905	109	110⅛	−1⅛	0.68
Sekisui House 8 99	6/84	612	164⅛	165⅞	−1⅛	−0.40
Sumitomo Bk. 2⅞ 2000	8/85	2142	97⅛	98⅛	−1⅛	2.92
Sumitomo Cpn. 2⅞ 99	8/84	583	142⅛	146⅛	−0⅛	0.51
Taiyo Yuden 3⅛ 2000	3/85	1078	†114	116	−1	−2.28
Takeda Rkn. 3⅛ 2000	10/84	7863	†104	106	−1⅛	8.97
Tokyo S'yo El. 3⅞ 99	12/84	772	106⅛	107⅛	−0⅛	11.22
Toshiba Crmcs. 3 2000	4/85	1734	107	100	−0⅛	−1.48
Nippon Oil 2⅞ 92 SFr	3/84	1052	†100	101	−0⅛	13.84
Nippon Shn. 2 92 SFr	3/84	801	†129⅛	130⅛	+2⅛	14.14
Asics 5 92 DM	12/83	520	106⅛	107⅛	−0⅛	16.61
Renown 3⅞ 00 DM	3/85	675	107	100	0	−4.17
Sum Realty 6⅛ 92 DM	2/83	332	415⅛	416⅛	−6⅛	−5.65

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL COMPANIES and FINANCE

Latest assault puts Australia's biggest company on the defensive

Bell makes its third play for BHP

BY LACHLAN DRUMMOND IN SYDNEY

THE FIRST time Mr Robert Holmes à Court bid for Broken Hill Proprietary Company (BHP), the directors of Australia's biggest company laughed, the second time they took him to court to stop his tender offer, and this time they are—in the words of Mr Brian Loton, the managing director—taking it very seriously.

Mr Holmes à Court, with A$1bn (US$704m) already committed, another A$500m due later this year in order to convert options into shares, and A$1.93bn staked on his attempt for another 20 per cent, is also taking it seriously.

The third bid has been heralded by four months of hectic activity in the share and option market since Mr Holmes à Court finally moved above the 10 per cent threshold level at which shareholdings must be revealed.

A key feature to the existing holding is the option held on the 7 per cent of capital currently owned by the Adelaide Steamship (Adsteam) group which is exercisable between August and October.

That arrangement will provide a A$100m-plus gain to Adsteam and allow Mr Holmes à Court control over the votes of the shares without the immediate carrying costs.

Bell had net debt of A$800m at December 31, supported by shareholders' funds of A$831m to support this investment and its coal and oil operations.

To support the current offer and the A$500m payment due for the Adsteam shares, Bell has arranged a A$342m to A$648m share placement to

Brian Loton, BHP's managing director who is taking the third attack on his company by Robert Holmes à Court (left) "very seriously"

Bell Group, its 46 per cent shareholder, and a A$2bn credit line through an as yet unnamed bank.

Assuming all acceptances to a successful offer were for the A$7.70 a share in cash rather than the alternative of one Bell share and A$2.50, the bid would see total borrowings at A$2.6bn, with the extra equity taking shareholders' funds to almost A$1.5bn.

Bell's third attempt to gain control of BHP has a number of vital differences from the opening efforts—primarily a starting point of 18.8 per cent of BHP's capital and full cash backing for its offer.

In August 1983 Bell Resources, then known as Wigmores, had been taken over by Bell Group for only three three days when it launched an all-paper offer which yielded fewer than 1m shares. Six months later Bell Resources had bought 8m more shares and managed to gain 7.5m shares through a tender offer eventually cut off in the courts by BHP.

The current position speaks volumes for the strides Mr Holmes à Court has made in establishing his corporate credibility, as to reach his existing position he has already had significant recourse to international debt and equity markets and is now armed with A$2bn of credit lines.

The figures also say much for the progress BHP has made in reshaping itself from recession levels of little more than A$200m to the expected A$1.1bn of net earnings for the current May 31 year.

The amount Bell intends paying for 20 per cent would almost have bought all of BHP four years ago.

But with general expectations of a 10 per cent drop in earnings for 1986-87 and pressure on the BHP share price, there will be a clear temptation to take the profits on offer at the Bell bid price and rely on the motivation that a mountain of debt will provide for Bell to stimulate BHP's performance.

For the moment though, the proposed offer for the extra 250m shares remains just that —proposed.

The preliminary announcement of the bid by Bell includes a range of conditions which would preclude the offer documents' registration by the corporate regulators because of the reliance on conditions which are either subjective or within the control of the offeror.

Such conditions are prohibited under laws soon to be proclaimed although Mr Holmes à Court see these as points for negotiation.

The offer also includes conditions relating to future changes to the law on partial takeovers, where restrictive and retrospective legislation has been proposed. Mr Holmes à Court said these conditions were a result of the uncertainty created by these changes and that he hoped questions on this legislation would be cleared up by the time of registration of the offer.

Change in oil pricing a crucial factor

BY GORDON CRAMB

THE CURRENT slide in world oil values has emerged a a key determinant, both for the timing and structure of Mr Robert Holmes à Court's bid for an influential stake in BHP, and for the earnings prospects of the company itself.

Despite its wide-ranging involvements in metal and coal mining and steelmaking, the revenue BHP derives from its half stake in the Bass Strait fields, offshore from Melbourne, is by far the largest contributor to its earnings.

Output from the Strait project, run jointly with Esso Australia, is averaging some 450,000 barrels a day and has touched well above 500,000 b/d. It accounts for the vast bulk of Australia's crude production.

Of BHP's 225,000 b/d average lifting, some 175,000 barrels are required to be sold into the domestic market under government allocations—and priced at an officially fixed level known as import parity price (IPP). One of the seven conditons which Mr Holmes à Court has attached to his bid is that there be no change in IPP during the offer period.

While he may yet choose to waive this requirement as the bid proceeds, the Bell Resources move comes at a time when the federal authorities in Canberra are exploring possible changes, not only to the level of IPP but to the way it is calculated.

IPP was last fixed on January 1 and stands at A$40.71 (US$27.81 at the exchange rate then prevailing). It is based on Arab light, the Opec marker crude for which even the quoted daily spot rates are substantially out of line with the far lower values being struck in the world markets for real trades.

The federal Treasury and the Department of Resources and Energy are preparing independent reports on the implications of a change in IPP, to be submitted to Mr Bob Hawke's Cabinet within the next few weeks.

IPP is next due to be fixed on March 1 and many alternative formulae are being considered, including a switch to another marker such as Dubai light.

The effects will be significant for BHP as well as for the national economy. One analyst's estimate—with which BHP does not quibble—is that a cut in IPP of some A$10 a barrel will wipe about A$60m off the company's net earnings in 1986-87.

Despite the insistence of BHP that Mr Holmes à Court's motives in launching the partial bid are "other than genuine," the company has had to recognise that its own share price performance in the face of the oil price decline might not have been as buoyant were it not for the activity generated from Perth.

The Bell share dealings in BHP are, however, far from being the only factor which has underpinned investor interest in Australia's largest company. BHP has over the last two years been taking large strides to internationalise its asset and revenue base, and as a result has a notably heightened profile in the US.

Its latest acquisition came in late November with the US$745m purchase of Monsanto Oil.

In addition, BHP has made substantial commitments to the North-West Shelf liquefied natural gas development in Western Australia, and to the vast Escondida copper deposit in Chile. The moves are aimed at ensuring a sustained income for the 1990s, by which time Bass Strait output is expected to be on the wane.

They have been carried out, moreover, with a boldness which did not previously characterise BHP. Mr Brian Loton, the managing director, clearly had more than half an eye on Mr Holmes à Court when conducting his latest briefing of financial analysts.

The 60 per cent rise in first half net earnings to A$586.8m was, he said, "evidence of our ability to compete in a world which really has in some respects an oversupply of most of the commodities that we are serving."

But tackling the widespread belief in Australia that Mr Holmes à Court would move quickly to break the group up, he added pointedly that BHP's ability to generate profits in that environment said "a great deal about the direction and management of the company and the corporate strength that we derive from the synergy between our various businesses."

Malaysian exchange rigged, say bankers

By Wong Sulong in Kuala Lumpur

MALAYSIAN merchant banks have asked the Finance Ministry to investigate what they consider to be an obvious attempt to rig the local share market last week.

Representatives of the Association of Merchant Banks which met yesterday said they were concerned that last Friday's episode could bring further disrepute to the stock market, which is already badly shaken by the Pan-Electric collapse, the still unresolved problem of forward share contracts, and repercussions arising from criminal charges faced by Mr Tan Koon Swan, the Malaysian businessman and politician in Singapore.

During the last 10 minutes of trading on Friday, about half a dozen issues saw feverish trading and their prices were boosted by between 30 and 100 per cent, when the rest of the market remained lethargic.

However, when the Kuala Lumpur Stock Exchange reopened on Monday, prices of those counters promptly fell back to their previous levels.

Some merchant bankers believe several investment companies, which have year ends falling on January 31, were responsible for artificially pushing up prices of certain stocks so as to give a favourable picture of their investments in their annual reports.

Many investors wanting to sell their shares when the prices shot up were unable to find buyers.

Several bankers said while it is acceptable for the Government to amend trading rules or dictate the membership of the KLSE, the free market forces should not be interfered with. Otherwise, public confidence in the market would be undermined.

Some brokers, however, feel that "window dressing" by institutional investors for their year-end is normal, and it is difficult to prove rigging in last Friday's trading.

KLSE officials were not available for comment.

Fairchild Semiconductor to shut Indonesian plant

BY KIERAN COOKE IN JAKARTA

FAIRCHILD Semiconductor of the US, a subsidiary company of Schlumberger, has announced the closure of its operations in Indonesia. Fairchild, which has been operating in Indonesia since 1974, said that the world-wide recession in the microchip industry had drastically reduced sales of its Indonesian operation.

Mr Kent Goheen, president of the local company, said that since 1974 Fairchild had invested more than US$25m in its plant in Indonesia, but sales had fallen in the past three years with US$45m-worth recorded in 1985.

The closure of the Fairchild plant comes as a severe blow to Indonesia's hopes of becoming an export base for high technology industry. Indonesia has some of the lowest wage rates in the region but bureaucratic delays, inefficiency and only limited supplies of skilled labour tend to make it an unattractive exporting base compared to other countries in the region.

Fairchild is one of two foreign firms working in the microchip industry in Indonesia: the other, National Semiconductor, has already cut its workforce and is also said to be considering closing its local operations.

First-half profit tumbles 26% at Daihatsu

By Yoko Shibata in Tokyo

DAIHATSU, the Toyota affiliate which is Japan's largest maker of subcompact cars, registered a 26 per cent fall in pre-tax profits to Y4.04bn ($21.1m) in the half-year to December.

The lacklustre performance was blamed on sluggish exports and higher depreciation charges.

Net profits fell 19.3 per cent to Y2.39bn despite a 6.2 per cent rise in sales to Y256.36bn. The interim dividend is unchanged at Y3 a share.

Full-year pre-tax profits are projected at Y8.5bn, down 26 per cent, the first year-on-year fall in four years.

TECHNOLOGY

Now the 'intelligent' washing machine

ZANUSSI, THE leading Italian home appliance group, controlled by Electrolux of Sweden, yesterday launched what it claims is the first "intelligent" washing machine, the Jet System.

It says the machine, under development since 1982, represents the first technological innovation in washing machines for 30 years.

The Jet, unveiled at the domestic appliance fair in Cologne, West Germany, is said to use less water, less electricity, less detergent and and in less time than a conventional washing machine. It will cost around 15 per cent more than other machines.

Whereas a standard model contains a rotating cylinder which is half-filled with water and tosses laundry in a circular motion, the jet has a cylinder which is almost water-free.

Instead, a jet spray is injected through tiny holes in the cylinder and the rotation cycle is faster. Zanussi said: "The idea is instead of immersing laundry in water we saturate the laundry with water sprayed by a jet and then re-heated and re-sprayed."

Among the claims made by the company for what it calls a "new generation of washing machines" is that it costs 5 per cent less to operate because it uses less electricity and up to 65 per cent less detergent.

The jet is also designed to reduce automatically the amount of water injected depending on the weight of the laundry in the cylinder. Zanussi claims it will finish a load cycle in 25 per cent less time than a normal machine.

This year Zanussi plans to produce between 10,000 and 15,000 Jet machines. It claims no other machine maker in Europe or the US has developed a similar model.

ALAN FRIEDMAN IN MILAN

Geoffrey Charlish on a breakthrough with big implications for aircraft and ship positioning

Gyroscope lights the way for navigation

Instead of a wheel it uses two light beams moving in opposite directions round a circle of optical fibre

STANDARD Telecommunication Laboratories, part of Britain's STC Group, has developed a gyroscope with no moving parts, based entirely on optical fibre and associated electro-optical components.

The breakthrough should make possible mechanically simple, more reliable, much lighter navigation and positioning systems. The cost will be lower because the accurate machining of metal parts needed for conventional gyros will be unnecessary.

A decision to manufacture has yet to be taken, but a price in the region of £500 per axis is thought likely.

The announcement comes 20 years after the research centre of Standard Telephones and Cables in Harlow, Essex, scored a world first by sending information down a hair-thin glass fibre instead of the usual copper cable.

Since then, research has gradually improved the transparency of glass and the design of the fibres so that today 8,000 simultaneous telephone calls can be sent down 15 to 20 miles of fibre before the light signals have to be amplified.

Such fibres are of "mono-mode" construction, which means they support light waves in a true waveguide fashion at a single, pure wavelength (colour). Monomode working allows other devices to be designed using fibre, which depend, for example, on the interaction of two waves of the same wavelength.

The conventional gyroscope, widely used in navigation, employs a rapidly spinning flywheel to give a fixed reference position in space for instruments such as the gyrocompass and inertial navigation system.

A gyro provides directional information because a force is required to alter its axis of rotation. Such forces will be remembered from the toy gyroscope of childhood or when holding a spinning bicycle wheel's axle and trying to move it about.

In an inertial navigation system, for example, the position of an aircraft over the earth's surface can be determined, from a known starting point, if the aircraft's acceleration and direction can be accurately tracked.

An accelerometer's output, after mathematical processing, gives speed and distance travelled in conjunction with an accurate clock. The gyrocompass provides directional data so that, together, the two give the aircraft's position.

Instead of a rotating wheel, the STL device uses two beams of light moving in opposite directions round a circle of optical fibre. The way in which the light interacts changes if the ring of fibre is rotated in its own plane.

By developing devices that can sense the change, the STL research team has produced an electrical output which is a measure of the amount of rotation.

In practice, light from a solid state light source is split into two beams which are launched into the opposite ends of a length of single mode fibre, several hundred yards long, coiled into a circle of a few inches diameter.

The two beams travel round the fibre in opposite directions. When they emerge they will have combined to form a [illegible] called optical interference.

A rough analogy is a long water trough arranged in a loop forming most of a circle, with the ends brought out. A stone dropped at each end will make two waves that will move round the loop and will either add or subtract depending on the exact moment of stone dropping. If the loop were to be rotated and the water moved bodily with it, then clearly the timings would be altered and addition or subtraction changed.

The effect, using light in fibre, is extremely sensitive to rotational movement and changes down to 0.01 degrees an hour can be detected. In addition however, the device can deal with very rapid rotations of up to 400 deg per second.

Drift now is much worse than that of the rotational gyrocompasses used in aviation, but STL expects to improve it with more development. Drift is, of course, important in navigation and now the fibre gyro would need frequent updating from another accurate source to prevent serious accumulative positional error.

To split the light before entry into the loop and for the detection of optical interference, STL uses devices based on lithium niobate, which are able to divide, mix and otherwise process light signals on their way down fibres (Technology, January 15).

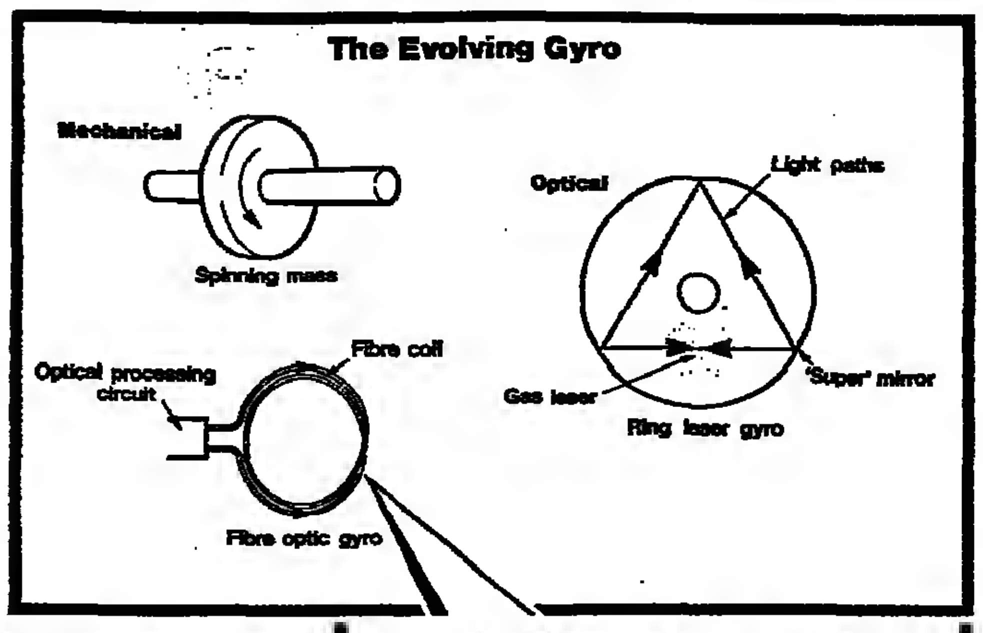
One application foreseen by STL is in robotics, where the robust construction of the fibre gyro, its low weight and its ability to respond to rapid movement could provide accurate position data for the end of the robot arm.

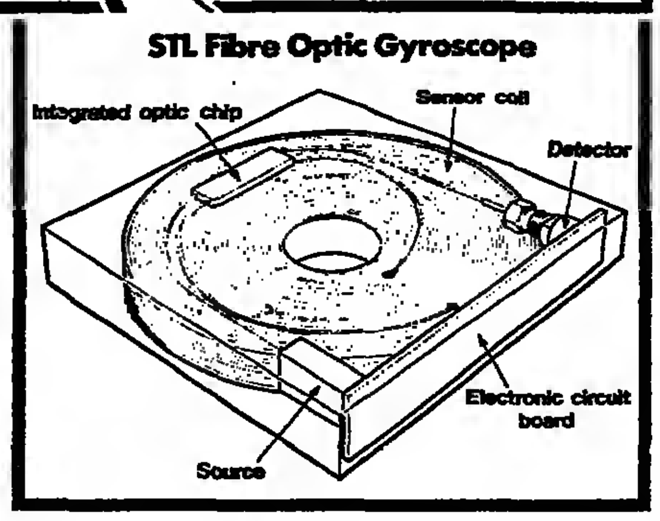
Other positioning applications will include platform stabilisation (gunnery), logging in oil well drilling, and in missiles, where the vibration and temperature resistance are of great value.

The STL team has sucessfully applied fibre technology in other areas. For example, the Oilcon pollution monitoring system has been installed in over 700 ships. It checks on the pollution level caused by marine oil discharge.

Oilcon uses optical fibres inside, say, a ballast tank to radiate light from an externally mounted light source. The radiated light is reduced in intensity by the water in the tank to an extent dependent on the amount of oil in the water.

Advantages include safety in hazardous spaces (no electrical parts) and the ability to discriminate between different kinds of pollution.





Detecting chemical and biological changes

THREE British groups are joining forces to develop sensors to detect chemical and biological changes in places as diverse as chemical plants and the human body.

The sensors would be based on micochips in which a surge of electric current would be triggered by a chemical change in a layer of material on top of the device.

The circuitry in the sensors would make sense of the electric signals and relay information to a central control computer. In this way, factory engineers, for instance, could be warned that a chemical reaction had gone out of control and was producing a dangerous or unwanted substance.

In the UK work, Thorn EMI, Amersham International and the Medical Research Council's National Institute for Medical Research in Mill Hill, London, are combining to conduct the research in a £1m programme partly backed by the Department of Trade and Industry.

The chemical sensors, called chemical field effect transistors (Chem Fets), have been the subject of intensive study around the world. But engineers have yet to make them robust enough for equipment in routine use.

Other companies pursuing research in this area include Fujitsu and NEC of Japan and Kodak, IBM, ITT and Johnson and Johnson of the US.

In industry, the devices could form part of equipment to monitor chemicals pumped through pipework in processing plants. With conventional automation applied to process plants, engineers rely on relatively large instruments such as thermometers and pressure gauges to keep track of events inside pipes and reaction vessels.

With the new devices, each very small and costing less than £1, engineers would be able to follow changes relatively cheaply at a much greater number of points in the factory.

In medical applications, the sensors could be made small enough for implantation inside the body. They would monitor substances such as drugs and hormones in the bloodstream.

One technique would be to add to the top of the sensor proteins called antibodies which combine with antigens entering the bloodstream from an external source. Antigens are other proteins which can carry infections. Linkage of the antibodies with invading antigens occurs naturally in the body as a way of fighting off carriers of disease.

A medical sensor using this process would detect the presence of particular antigens by the fact that they react with the antibodies on the sensor to produce a biochemical complex with specific characteristics.

The presence of this complex would be triggered by, for example, its reaction with another part of the Chem Fet.

Among the applications for the sensors could be the monitoring of thyrozine, a hormone secreted by the thyroid gland.

PETER MARSH

Weaving artificial fibres

A RANGE of new weaving processes may help companies in the aerospace and machinery industries which use artificial fibres in parts such as fuselage components and cutting edges in machine tools.

A study from the Battelle Institute in Columbus, Ohio, has pinpointed a variety of three-dimensional processes for arranging the fibres, which could be made of materials such as polymer or carbon.

Current applications are mainly in specialised parts such as nosetips of aeroplanes and exit nozzles for the plumes from rocket motors. The institute thinks, however, that uses for the weaving techniques will gradually extend to non-aerospace areas in the next decade.

Details from Battelle Institute, 15, Hanover Square, London W1R 9AJ.

Power to the technicians

COMPUTER technicians worried by the threat of electricity blackouts may be helped by a series of power sources made by Power Equipment of north London.

The equipment contains back-up batteries which ensure that the computer obtains a continual supply of current in electricity shortages. These may reduce the risk of losses of data in electricity cuts that may last only a few seconds.

Optimistic outlook

THE Computing Services Association, after surveying 133 member companies, says there is a continuing optimistic business outlook for the UK computer services industry.

About 93 per cent of the companies believe their level of business will improve in the next 12 months, while the remainder believe it will remain the same.

UK COMPANY NEWS

David Goodhart on the rationale for Sketchley's strategic re-think

Loosening the blue collar tie

MR MALCOLM GLENN, the former Reed International executive who last May took the helm at Sketchley, began to get excited about his plans to widen the base of the dry cleaning and workwear company.

"Look, you've got ladies in those shops with their purses open," he declared suddenly. Taking the money out of those purses to spend on a new range of household and consumer services is one half of the two-way redirection of the company announced yesterday.

The inspiration for the strategic re-think is, at root, a sensible recognition that the two staple businesses in the UK—consumer and industrial dry cleaning—can only grow a limited amount more without a dramatic change in national attitudes to dry cleaning. That is not impossible, given that the use of dry cleaning is nearly twice as great in France and the US, but the new Sketchley is not banking on it.

"We have looked hard at both businesses and we think we have got at least another three years of profits growth. After that point the businesses will continue to be profitable but will not see the same growth," says Mr Glenn.

Most analysts, including Mr Nick Bubb of Scrimgeour Vickors, believe that commercial/industrial cleaning will decline faster. This is partly because it is at present based on blue collar workers—an increasingly endangered species — and the shift to white collar cleaning is not simple.

Sketchley

So Sketchley has been thinking of other ways to exploit its near 500 retail outlets and exceptionally familiar name. This side of the strategy can itself be sub-divided into two parts. First, the shops, where suitable, are being refurbished and expanded to include a host of small household services such as key-cutting or shoe repairs.

Second, Sketchley is on the acquisition trail for good consumer-based companies, as it showed yesterday in its £8m purchase of Breakmate, a vending machine distributor and up-market caterer. Mr Glenn argues that Sketchley's nationwide distribution and depot facility will help Breakmate to grow faster outside its south-eastern base, a point which could equally apply to many other geographically concentrated distribution companies.

Further acquisitions are already planned in household service industries, as well as the *still growing market for contracted-out industrial services.* Indeed, it is in the overlap between the industrial and the consumer service industry (as in dry cleaning itself) where Sketchley will continue to concentrate.

Within that niche it will be aiming to move somewhat up-market. "Within three years we must be perceived to be an excellent company by consumers, employees and shareholders," says Mr Glenn. Certainly his own arrival has improved morale inside the company, but he now has to produce some consistent profit growth if shareholders' morale is to be similarly boosted.

In the six months to *September 27 1985 interim*

Mr Malcolm Glenn, Sketchley's chief executive

profits were raised by £1.09m to £6.2m, but between 1983 and 1985, with annual turnover nearly doubled from £83.7m to £159.2m, pre-tax profits increased less than £1m from £9.32m to £10.23m.

But while the first stage in the *new acquisition-led growth* appears promising, there are some cautionary tales from Sketchley's recent history. The high-flying Grease-Eaters, acquired in 1980, managed to lose £1m on total sales of only £600,000 in the following year.

Its north American acquisitions have also been a little disappointing—despite now representing more than half of the company turnover they have failed to provide proportionate profits. The decision to divest itself of about two-thirds of the North American operation—the second major part of the re-think—is largely prompted by the belief that the company will never be in a position to get a better deal from the sale of Sketchley Services Inc, a workwear and linen rental service.

It is also guided by Mr Glenn's earlier experience in building up a major division of Reed in the US. "I realised from that experience that the US is a heavy drag on human and financial resources, and you either put a great deal of effort in or you get out." Sketchley should at least get out receiving roughly what it paid for the major US business—allowing it to concentrate on domestic *diversification.*

Polly Peck shares tumble by 20p

Shares in Polly Peck, the fruit packaging, electronics and mineral water bottling company, fell sharply yesterday, prompting the group to issue a statement saying that trading continued to be satisfactory and it knew of no reason for the drop in price.

The shares, which had closed at 158p on Monday night, dropped at one point to 130p before closing at 138p, down 20p on the day.

Late last year, Polly Peck shares were trading at around 220p, but fell sharply to around 170p when brokers downgraded their profit estimates for the group from £82m to £68m-£75m.

In the event, the 1984-85 pre-tax profit figure of £61.1m unveiled by the group in early December was even lower than the revised forecasts, in part because of the translation effect of currencies.

Mr Peter Jones, who researches Polly Peck at the company's stockbroker, L. Messel, said three other broking firms had entered the market as sellers first thing yesterday morning and that had been followed by a variety of rumours of difficulties—all of them denied by the company.

Mr Jones said that City nerves were still raw from last year's *downgrading of* forecasts so any unsettling of the market brought in sellers behind it.

Demerger acts to defuse criticism

BY CHARLES BATCHELOR

Demerger Corporation, the newly-created company which on Friday announced plans for an audacious £173m all-paper bid for Extel Group, moved yesterday to defuse some of the criticism of its plans.

Demerger will only acquire a 15 per cent stake in Extel's core business and sporting information operation if its takeover bid is successful and the shares of Extel perform well on the stock market after the company has been relisted.

The Demerger stake would be triggered by an option to acquire the shares if the new Extel 10p shares rise from the 100p level at which they will be relisted to 150p for a 30 day unbroken period, Mr Peter Earc, a Demerger director, said.

Ifinecorp, Extel financial adviser to Demerger, is attempting to underwrite a cash alternative to its all-paper offer. It hopes to persuade institutions to underwrite the share issue for no commission.

Demerger had been criticised for taking too large a stake in Extel as its "fee" for arranging the deal and for not offering shareholders the opportunity to take cash.

Demerger plans to break up Extel into five separate businesses to allow the business and sporting information side to improve its market rating and devote profits exclusively to developing its own operations. Demerger would take a 15 per cent stake in this company.

Four new companies would be created to manage the printing, advertising and public relations, publishing and computer systems operations. These companies would be floated off separately.

In Friday's announcement, which was rushed out because Demerger feared its plans would "leak" to the stock market, the company gave no details of how the 15 per cent holding would be achieved.

Demerger denied yesterday that its plans were being backed by any other party. It had, however, been told by its stock market contacts that Mr Robert Maxwell or one of his companies had been buying Extel shares.

Unitech down 31% after component marketing fall

DIFFICULT TRADING conditions for Unitech, electronic components and equipment concern, meant sales dropped from £97.25m to £95.02m in the half year to November 30 1985, while pre-tax profits were 31 per cent lower at £4.83m, against £7.04m.

With sales of semiconductors down on last year and some margin erosion, the component marketing division accounted for all the profit shortfall. The manufacturing divisions reported a profit improvement with loss elimination compensating for a fall in profitability in the US.

Sales were particularly affected in the group's semiconductor distribution companies in Germany and Italy, and also in its US companies serving the data processing market. As a result, profits earned outside the UK only accounted for 20 per *cent of group profits.*

On current trading, Mr P. A. Curry, the chairman, says the order rate is beginning to stabilise and therefore the profit shortfall in the second half is likely to be less than that reported for the first six months.

Although stated first-half earnings per 10p share fell by 3.4p to 6.1p, the net interim dividend is stepped up from 1.96p to 2.24p—last year's total payment was 5.635p on record £15m profits.

At the trading level, first-half profits were down from £8.21m to £6.1m. Net interest payable took £1.27m (£1.78m) and tax accounted for £1.98m (£2.65m). After minorities of £48,000 (£154,000) and a £168,000 loss this time on disposal of subsidiaries, the attributable surplus came out at £2.64m (£4.23m). Ordinary dividends absorb £1.03m (£903,000).

A £351,000 loss on translation of foreign currency assets and liabilities has been debited to retained assets.

● comment

At first sight the market was displeased with Unitech's interim figures—it had been well prepared for a downturn, but £4.8m pre-tax was rather worse than expected. However, the company accompanied the results with such confident noises that investors, now hoping that the bottom of the cycle has been reached, pushed the shares up yesterday to 228p. There were two reasons for the shortfall during the first half. Margins *collapsed in semiconductor* distribution in West Germany and in Italy, while the manufacturing company in the US also did badly as the US data processing industry embarked on some heavy destocking. The second half looks better on both scores. The US market is believed to be in better shape, and the fall in semiconductor prices in Europe has now apparently been arrested. The company seems to have good financial controls, and borrowings are showing no tendency to creep up even after a difficult first-six months. If Unitech makes £12m this year, the shares will be appropriately valued on a prospective p/e of 14.

Micro Business rescue plan

BY LUCY KELLAWAY

SHARES IN Micro Business Systems, an ailing distributor of personal computers, were briefly suspended yesterday at 82p while the company announced a rescue package consisting of asset sales and a rights issue.

It also warned shareholders of £3m provisions and write-offs to be contained in the 1985 accounts, considerably more than the £1.3m signalled in an announcement made last December.

The company plans to sell its Technirent subsidiary for £3.5m, and raise £7.8m by way of a two-for-five rights issue at 56p.

Its plans have changed since the end of last year when it announced that Data Efficiency, a major group subsidiary, was also for sale.

After a "far-reaching analysis" the company has now decided to retain the subsidiary, and raise the money via the rights issue instead.

The directors say their plans will provide the company with enough working capital for the foreseeable future and, assuming the computer market does not deteriorate further, they are confident about its future prospects.

There was a change in top management in December when two directors of IBM (UK), Mr Stafford Taylor and Mr Owen Williams, joined the company as chief executive and deputy chairman.

Mr Clive Richards, the non-executive chairman, and Mr Michael Brooks, the outgoing managing director, will not be taking up their rights entitlement—this has been placed by Simon and Coates.

They announced yesterday that they will be reducing their holdings by selling 5m shares at or above the 56p rights price after the issue has been completed.

Simon and Coates have placed the full 14.4m rights shares, 8.4m of which are subject to clawback from shareholders under the terms of the issue.

Technirent is being sold to its management for £2.5m in cash and £1m in convertible preference shares in Technirent. The company, which rents micro processors, made estimated profits in 1985 of £130,000.

The group's shares closed yesterday down 4p at 78p.

Receivers called in at Castle (GB)

Castle (GB), quoted on the USM has asked its bankers to appoint a receiver following the collapse of discussions with its main supplier, W. F. Rational *Einbaukuchen of Germany.*

In August, Rational converted £1.23m of trade debts owed by Castle into an 29.6 per cent equity stakes in the fitted kitchen distributor.

Castle (GB) reported a pre-tax los of £2.24m (against a profit of £1.46m) on sales of £15.47m (£16.32m) for the year to July 1985 in November. The departure of Mr John Armstrong, the managing director, was also announced at this time.

However, in mid-December the severing of the distribution link with Rational was announced. Discussions were also started on the sale of Castle's *distributorship of* Rational's flatpack kitchens in the UK, plus the unsold stock, to the German company.

These discussions have now been discontinued by Rational and the Castle board has "reluctantly requested" the appointment of a receiver.

Shares in Castle were suspended yesterday at 11p. *When the company came to* the USM in 1983 the shares were priced at 80p.

STC subsidiary in £7.7m management buy-out

BY CHARLES BATCHELOR

THE MANAGEMENT of Park Air Electronics, the ground-to-air radio equipment subsidiary of Standard Telephones & Cables (STC), have staged a buy-out of their company in a deal worth £7.7m.

A new company, Park Air Electronics (1985), has placed £4.1m worth of ordinary and preference shares with a group of 13 institutions, including a German venture capital company.

The management team, headed by Mr Michael Chick, managing director, has invested £200,000 to take up to 25 per cent of the ordinary shares depending on future performance.

Park Air made a pre-tax profit of about £900,000 on sales of £3m in the year-ended December 1985. This compared with profits of £1.3m on turnover of £3.5m the year before when payment for a major contract was made.

Park Air is based in Lincolnshire and employs 70 people. It makes ground-based transmitters, receivers and ancillary air traffic control products for civil and military use. Its customers include defence electronics groups such as Plessey, Racal and Rediffusion.

Additional funds have come in the form of a £1m bank loan, a £1.1m loan note from STC and a £1.5m cash dividend from Park Air's own cash resources.

Park Air, which was advised by Granville & Co., the corporate finance group, plans to seek a USM or full stock market listing towards the end of 1986.

The institutional backers include Grosvenor Venture Managers, Sun Life, Fleming Ventures, Montagu Investment Management, Friends' Provident, Granville Modern Management Trust and Genes International Venture Capital Partners of Germany. Loan and working capital were provided by the Standard Chartered Bank group.

The buy-out team comprises a total of six directors and 14 other employees.

Rockware's pension holiday

Rockware, the glass container manufacturer, is taking a two year holiday from contributions into the company's main pension schemes. The move will boost pre-tax profits by some £3.4m, divided about equally between the two years.

Rockware made pre-tax profits of £2.7m in 1984 and £528,000 in the first half of 1985.

Numerous other companies have taken similar action in recent months. Company pension schemes generally have been in a strong financial position following buoyant stock markets and substantial redundancies.

The company is also cumulatively increasing by a guaranteed 3 per cent a year, employee *pensions in payment. Future* deferred pensions will, in the case of all employees who joined the scheme before January 1 1985 be granted greater increases than the minimum required to satisfy recent legislation.

The company *is also suspending* employees' contributions for the same period, following consultations with them, or giving benefit improvements of an equivalent value.

Suter/FH Lloyd

Suter, the acquisitive engineering, distribution and packaging group, which had gradually built up a stake of over 27 per cent in engineer F. H. Lloyd, has now reduced *the holding to 25.99 per cent.*

Guinness referral call

The Scottish TUC yesterday said that the proposed £2.2bn merger between Distillers and Guinness should be referred to the Monopolies and Mergers Commission.

The *STUC statement* followed a meeting with senior management from the rival bidder for Distillers, the Argyll Food Group. Argyll, which has offered £1.8m for the big whisky group, told the STUC that it did not envisage *any* distillery or bottling plant closures if its bid was successful.

Highams' stake

Highams, the textile manufacturer, said yesterday it held 30.31 per cent of Manchester Ship Canal's ordinary shares and 47.67 per cent of the preference shares, together representing about 23 per cent of voting rights. *However, it did not intend* within the foreseeable future to make a bid for the shares *it did not already hold* or make further acquisitions which would require it to make a general offer.

New Court Natural

A report in yesterday's FT said Mr Grant Manheim had left the board of New Court Natural Resources. In fact, Mr Manheim remains a member of the board, though he is on longer deputy chairman or chief executive of the company's sole operating subsidiary.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Assoc. Energy	nil‡	—	1	nil	1
Comm. Bank of Wales	2.4†	—	2.13¶	2.4	2.13
Howard Shuttering int.	0.7	Mar. 17	0.7	—	1.4
Newman Tonks	3.85†	Apr. 2	3.75	5.5	5.4
Unitech int.	2.24	Apr. 1	1.96	—	5.64

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issues. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Adjusted for share sub-division.

هكذا عند التكتل

UK COMPANIES

Newman Tonks tops £6m and is set for growth

A CONTINUED advance by its core activities, engineering and hardware, enabled the Newman Tonks Group to lift its 1984-85 profits to a record £6.42m pre-tax.

Furthermore, trading in the first quarter of the current year is ahead of the same period last year and order books in all divisions, except metals, are described as highly encouraging.

Mr Michael Wright, the chairman, says he is confident that the group will make further significant progress in 1985-86.

Referring to last months £62m bid for the group by fellow Midlands-based McKechnie Brothers, he tells shareholders that the offer is totally inadequate as it takes no account of Tonks' potential both in the UK and overseas.

He adds that McKechnie's share price has been greatly inflated by bid speculation and does not reflect a reasonable basis for an offer. The board's firm advice is rejection of the effer.

Pre-tax profits for the past year (to October 31 1985) are compared with 1983-84's adjusted £5.69m. Both sets of figures were prepared on a merger accounting basis to take in the results ef R. Cartwright (Holdings), the building products company acquired last summer for £11m after much controversy.

Turnover improved from £71.78m to £78.56m and gross profits came through at £21.38m, compared with £20.21m.

Pre-tax profits were struck after deducting eperating expenses of £14.03m (£13.8m) and interest charges of £836,000 (£730,000).

Tax was virtually halved to £916,000 and after minorities of £72,000 (£22,000) and extraordinary debits this time of £581,000, available profits showed an improvement of £1.12m at £4.95m.

Net earnings rose by 3.2p to £12.95p and a final dividend of 3.85p raises the net total from 5.4p to 5.5p on the capital increased by last year's £5.94m two-for-seven rights issue.

Mr Wright says the group has been successfully reshaped over the past two years by divesting peripheral businesses, integrating the Cartwright companies and reorganising the UK businesses into six product based divisions.

He adds that some minor divestments remain to be made and that the directors are continuing to look for further acquisitions in the UK.

● comment

Newman Tonks came out a little better than expected and the shares put on 2p to 133p, but the improvement owed nothing to the acquisitien last year of R. Cartwright, whose Smith Wallis window fittings subsidiary fell well below budget and held the divisien at a standstill in profit terms. Among Newman Tonks' core activities the engineering and knobs and kneckers sides of the business showed the strongest advanees, largely thanks to benefits from earlier rationalisation programmes, but the 14 per cent pre-tax profits increase they helped produce weuld barely have come through to the bottom line if it had not been for the halving in the tax charge. For the current year there is much to suggest that a useful pre-tax increase is in sight: Rothley Brass's £650,000 losses have now been eliminated, the US activities are moving ahead well, and the synergy benefits from the Cartwright acquisitien should start to come through. But whether this is enough to sava Newman Tonks from the McKechnie maw remains to be seen.

Flextech expands energy stake despite profit fall

Flextech, a USM quoted company, yesterday announced that it had extended its range of investments in energy related fields, and that profits had fallen in the first half of 1985-86.

In a deal worth US$3.34m (£2.4m), it has joined with the management of SIE, a Texas based logging tool manufacturer, to purchase the company from Aetna Life and Casualty of the US. A separate and smaller move sees Flextech take a 25 per cent stake in British American Offshore, which provides contract drilling services in the North Sea and elsewhere.

The fall in pre-tax profits in the period to November 30—they slipped from £2.03m te £1.45m—was due mainly to a decline from the related companies, especially from the French Coflexip, which saw its contribution drop by £440,000 to £805,000. The other related concern, Expro, made £349,000 (£318,000).

Mr A. J. Butterworth, chairman, says that the downturn arose mainly from the decline in exploratien and development activity in the petroluem industry. Both royalties and interest receiveable fell, from £272,000 to £171,000 and from £335,000 te £304,000 respectively. Operating expenses were up from £145,000 to £170,000.

Earnings per share fell from 6.54p to 4.49p. There is no dividend—the company has paid none since its flotation in 1983.

The deal for SIE gives Flextech an initial 45 per cent stake at a cost of US$3.34m in the form of commen and preferred stock, and a promissory note for $2.3m payable over two and e half years. SIE net assets at the end of last year amounted to $5.83m after adjusting for the acquisition, which, along with $1.68m of subscribed share capital, reflects a discount of $4.17m ever the acquisitien price. This will be amertised over a period of four years, and will result in exceptienal surpluses for Flextech.

SIE has also written eff plant and equipment valued at $1.95m, to reduce future depreciation charges.

Flextech may increase its belding in SIE te 75 per cent if it converts its portion of preferred stock.

● comment

The City expected a dismal first half from Flextech and these interims came as little surprise. The shares rose slightly ahead of the results but closed just 1p up at 56p. Like the rest of the oil secter Flextech is a hostage to the fortunes of the oil price and the outlook for the full year is, at best, uncertain. Profits from Coflexip, which has traditionally provided the bulk of earnings, fell sharply in the first half and should fall further in the second. Only a markedly improved performance from Expro could salvage profits for the full year. Nonetheless the company is continuing its policy of investment within the oil services sector with the acquisition of e 45 per cent stake in SIE and e more speculative 25 per cent stake in British American Offshere. At best the market expects profits of £2m for the full year which, with 45 per cent tax, produces a prospective p/e ef 9. Flextech still has e sizeable cash surplus, about £2.7m, which it intends to plough into energy, although net necessarily eil, related interests. The one spark of optimism in the otherwise gloomy oil sector is that at least there should be lets of bargains around.

Write-downs leave Neepsend loss trebled

Neepsend, the Sheffield-based engineer, has incurred more than trebled pre- and post-tax losses of £355,000, against £102,000 for the six months to end-September 1985.

This result is disappeinting, says the board, fellowing the return to profitability for the 1984-85 year bnt should be considered in the light of a write-down in stocks at the Ferro Alloys and Metals subsidiary which in effect has cost the company £500,000.

Trading results from UK operations turned round from profits ef £502,000 to losses of £59,000, while Canadian operatiens turned a loss of £242,000 into a £60,000 profit. Interest charges were only marginally lewer at £356,000 (£362,000).

Neepsend says that Ferro Alloys ie now trading profitably and anticipates thaat the first half losses will be substantially recouped in the second half.

Group turnover for the period was lower at £9.97m, against £11.59m, and the loss per share was 2.6p (0.64p).

In addition to the results, Neepsend aonounced the sale of Sheffield Machine Knife wilb the proceeds of around £400,000 being initially used to reduce group borrowings.

Setback by Howard Shuttering

The inability of its formwork and structures division te trade at a profit has resulted in Howard Shuttering (Heldings) being ferced te close down that division. The directors say the closure will come when all outstanding centracts have been completed.

In the six months te October 31 1985, the formwork and structures division incurred losses of £160,000. There will be further losses in the next six months due to redundancies and other costs, but it will then cease to be e drain en the group's resources, says Mr J. A. Howard, the chairman.

Progress was made by Howard's property development division

In the meantime, management accounts fer the six months to October 31 1985 shew group profits down from £635,078 to £306,278 from lower turnever of £3.99m compared with £4.16m.

The interim dividend is held at 0.7p net.

FT COMMERCIAL LAW REPORTS

Company to be valued solely on basis of future earnings

BUCKINGHAM v FRANCIS AND OTHERS
Queen's Bench Division: Mr Justice Staughton: January 27 1986

THE VALUE as a going concern of a company which operates without assets, other than stock and debtors, is not based on assets and goodwill but is the capitalised value of future profits, assessed with appropriate allowances for risk, on the basis of estimated future maintainable profits multiplied by the price/earnings ratio most likely to be acceptable to a purchaser.

Mr Justice Staughton so held when giving judgment for the plaintiff, Mr Buckingham, former director and shareholder of Service Offset Supplies (Anglia) Ltd, in his action against the remaining three shareholders, Mr Francis, Mr Douglas and Mr *Thompson.*

* * *

HIS LORDSHIP said that until March 24 1981 Mr Buckingham was director of e company which supplied the orint industry with materials and equipment. He held 20 out of the company's 50 issued shares. The other 30 shares were held as to 10 each by the three defendants.

Mr Buckingham was in charge of the day-to-day management of the company.

On March 24 1981 he signed a written agreement which provided *inter alia* that he would offer his 20 shares to the remaining shareholders at the issue price of £1 each.

The present action was brought for a declaration that tho agreement was void, and for compensation or the return of the shares.

On December 9 1985 orders were made by consent dealing with all the issues in the litigation except one. The court's present task was to ascertain the value of the shares as at March 24 1981.

It was common ground that the value must he ascertained on a quasi-partnership basis, apportionment to be without regard to majority or minority interests; and that it was the value of the company as a going concern which must be assessed, not the break-up value of its assets in liquidation.

The break-up value of the company was very small or nothing at all. Its assets consisted largely of stock and debtors. The net assets figure at March 24 1981, undiscounted, was £39,000.

The company must be valued in the light of facts which existed on March 24, 1981. Regard might be had to later events for the purpose only of deciding what forecasts for the future could reasonably have been made on that date. It followed that the figures for the year ending December 31, 1981 must be left out of account, save for that limited purpose.

The picture was of a company which grew rapidly until December 31, 1979, and perhaps for six months thereafter. But for 1980 as a whole, and 1981 the revenue from sales did not increase with inflation measured by the retail price index, whereas overheads did. The profit before tax, having risen sharply to start with, showed an even steeper downward trend.

Against that background there was a difference of opinion between accountants.

Mr Humpage, called on behalf of Mr Buckingham, first took the net asset value as et March 24 1981 of £39,000. Then he added as an intangiblo a figure for goodwill. That figure was arrived at (i) by ascertaining the average annual profit for the previous three and a quarter years, being £13,630; (ii) by deducting an ordinary profit, which he assessed as 10 per cent of the net assets on March 24 1981 (£3,900); and (iii) by calculating five years' purchase of the difference, or super profit, of £9,730, producing a figure *of £48,650.* The net assets of £39,000 plus that figure for goodwill produced e total value for the company of £87,650.

That calculation contained an element of assets and also an element of future profits, since the goodwill was based on future profits.

Mr Burns called on behalf of the defendants, produced a valuation based solely on earnings. He assessed future maintainable profits at a maximum of £6,000 per annum before tax. He then considered the factor, or years' purchase, required to capitalise that sum and arrived at the figure two. That produced £12,000 as the value of the company.

There was respectable authority for the method odopted by Mr Humpago for some companies in some circumstances (see Accountants' Digest no. 132 para 11-12). The objection to the method, apart from its complication, was that in the present case there was no basis for adopting a figure of 10 per cent as the normal level of profits.

If one did adopt that normal level, it was speculative as to how long for, and by how much, it would be exceeded. The prognosis that the average for the past three and o quarter years would be repeated in the future and that a buyer would be prepared to pay five years' purchase for that prospect was unsupported by evidence.

Mr Burns's approach was in principle correct. The value of the company was the capitalised sum represeoting future profits.

But there were two unknowns — what the future profits would be, and what price/earnings ratio would commend itself to e purchaser as appropriate for capitalisation.

It was possible to make an allowance for risks in calculating either figure. Whet one must guard against was making allowance for the same risks twice over — on the assessment of future profits and in the choice of a price/earnings retio.

In order to evoid that the assessment of future profits could be made on e best-guess basis, allowing for risks but without undue caution or exaggeration; and a price/earnings ratio could then be chosen on the basis that the figure for future profits was the probable answer.

That seemed the best method in the present case. In other cases the converse method could be adopted end tho allowance for risk could be incorporated in the ratio rather than the profits figure; or part of it in one and part in the other.

Proceeding by the preferred method the court must find what, on March 24 1981, was the most likely figure or best realistic guess, for the future maintainable profits of the company and mako appropriate allowances for risk in doing so.

Past events wore excluded, save for the purpose of checking what was e proper estimate. Less weight was given to previous high profit figures than they received in Mr Humpage's average. Trading conditions were difficult in March 1981, nationally and for the company.

The company did not have a secure asset base and in 1980 profit was only 1 per cent of turnover—a precarious situation. Also, it was losing the service of Mr Buckingham, its only ective director. It might suffer in the future through competition with him. A purchaser of the company would have to view it as recovery stock, and consider what new management could achieve.

Against all that there were grounds for optimism. Difficult trading conditions were not expected to last for ever. There were grounds for expecting the company would become more prosperous.

The finding of likely future maintainablo profits must be made by the court on its evaluation of the evidence as to the company's prospects. It arrived et £6,000 per annum. That was not a maximum figure. It was e purchaser's best guess or estimate of the most likely figure after making appropriate allowance for risks.

As a multiplier, or figure which a purchaser would require as e profit/earnings ratio, Mr Burns proposed two. In other words he considered that a purchaser would pay only a price which could be expected to be recouped in two years, with a return of 50 per cent on his investment.

If he was saying that a ratio of two was valid, giving appropriete weight to all future uncertainties, then his evidence could not be accepted.

The court had fully evaluated tho risks and prospects when selecting a figure of £6,000 for future maintainable profits. A price/earnings ratio of two would cootain a secood unnecessary allowance for risk. Four was the more appropriete figure.

The value of the company was £6,000 multiplied by four, or £24,000. Mr Bockingham's shares, two-fifths of the share capital, *were worth about £9,600. After* e deduction of £2,500 paid on account, there must be judgment for Mr Buckingham for £7,100.

The appropriate rate of interest from March 24 1981 until the present day was base rato plus 1 per cent.

"Base rate plus one" should be the rate in 95 per cent of commercial cases and was tho general practice in the Commercial Court.

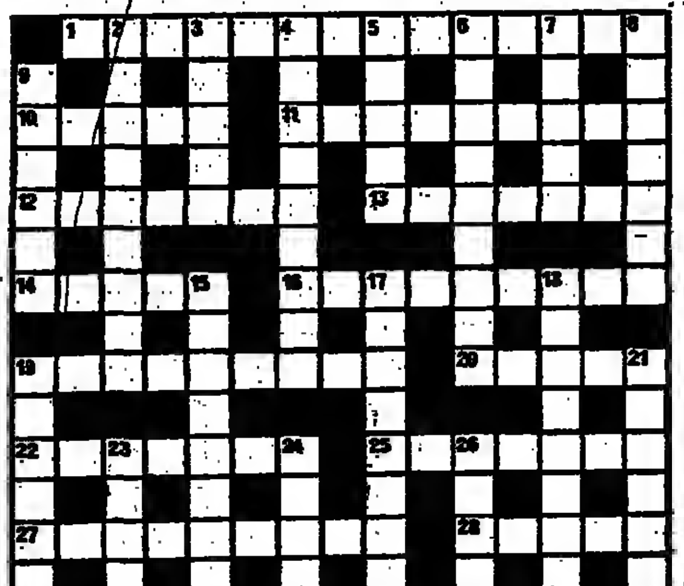
For Mr Buckingham: Angus Glennie (Green and Green).

For the defendants: Michael Burton QC and Andrew Clarke (Warner Cranston).

By Rachel Davies
Barrister

THESE REPORTS are published in volume form with the full texts of judgments. For details contact Kluwer Law Publishing, Africa House, 68 Kingsway, London WC2B 6BD. Phone 01-831 0991.

F.T. CROSSWORD PUZZLE No. 5,940



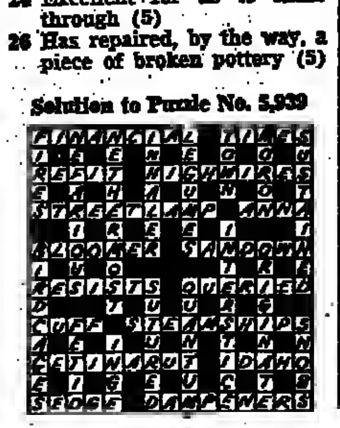
ACROSS

1 To shorten a link is a tricky game (8, 6)
10 Shine like the nurse the man introduced (5)
11 Call out "help" not "so" (9)
12 When 51, first class person joins union (7)
13 Here, give over! (7)
14 Man back at home installing electricity supply (5)
16 Hang on, that contains her new bag (9)
19 Observer article included sport, etc., for a change (9)
20 Apt to get knocked about, Iris is leaving the beast (5)
22 Cold when inside it, returns convinced it's jaundice (7)
25 Garland is also in the Fens, travelling about (7)
27 First rip out note in unusual plain cover (9)
28 Full of life, one against drink is going outside (5)
29 Red guerrilla, so much different to a professional serviceman (7, 7)

DOWN

2 Marriage about four, in effect (9)
3 Lives behind a container port (5)
4 Someone in a train? (9)
5 Around mid-July, parking it in reverse is a bloomer (5)
6 Explain about the gift (9)
7 Buzz the doctor on time (5)
8 Built back of French set up first (7)
9 Cook mauls youth leader in shelter (6)
15 It is Carla that's becoming sarcastic (9)
17 Case for top doctor with back ointment (9)
18 Poor Vi elopes around ten, which is dangerous (9)
19 Quickly put salesman back on footwear (7)
21 Visitor gets way away from warden (6)
23 Object—it's a terrible night! (5)
24 Excellent for us to climb through (5)
26 Has repaired, by the way, a piece of broken pottery (5)

Solution to Puzzle No. 5,939



APPOINTMENTS

Managing director for BP Japan Trading

Mr Peter J. Bryers has been appointed managing director of BP FAR EAST and BP JAPAN TRADING and will take up his post at the Tokyo office on February 17. He succeeds Mr Ted Williams who is to retire. Mr Bryers was previously chief executive of BP in Portugal and managing director of Companhia Portuguesa dos Petroleos BP and has held appointments with the BP group in Africa and South-East Asia.

*

Mr Michael Thomas Wood is appointed to the main board of J. THOMAS EDWARDS & SONS.

*

THE PORT OF LONDON AUTHORITY has elected Mr Robert G. Crawford as vice chairman. He joined the PLA board as a non-executive member on January 1 1985.

*

HEATRAE SADIA HEATING has appointed Mr Andrew Marshall, as sales and marketing director. He joined Heatrae Sadia from Valor where he was general manager for Valor Home Products.

*

CHARLES LETTS has appointed Mr Christopher Nott as publishing director. He was previously with Thomas Nelson, latterly as publishing director.

*

Mr Keith B. Gee is appointed managing director of the CROW COMPANIES (part of the Hudsons Group) which includes Crow Broadcast Systems (formerly Crow of Reading) and a new company, Crow Computer Graphics. Mr Gee will also have overall responsibility for the production of outside broadcast vehicles and the specialist engineering carried out by MVC Hudsons. He has recently been in charge of RCA's operations in Europe, Africa and the Middle East.

*

Mr Coleman Lyden has been appointed an executive director of THE INVESTMENT BANK OF IRELAND. He is associate director responsible for the money room.

*

THE PECKHAM BUILDING SOCIETY has appointed LADY MARCIA FALKENDER to its board. Lady Falkender writes a political column for the Mail on Sunday and serves on the British Screen Advisory Council.

*

Mr Nicholas Marden Taylor has been appointed finance director and company secretary of CARLESS, CAPEL & LEONARD. Mr Peter Clark becomes operations director of Carless Exploration.

*

Mr Richard Seymour will give up full-time executive duties and retire from the chairmanship of FURNESS-HOULDER (INSURANCE) on May 31. Sir Brian Shaw, chairman of Furness Withy & Co, the parent company, will succeed him as chairman, with Mr Rodney J. Ewen as chief executive. Mr Seymour will retire from the boards of Furness-Houlder (Insurance) and Furness Withy on July 31.

*

Mr Christopher Miller has been appointed an associate director and Mr Graham Dransfield has been promoted to assistant company secretary of HANSON TRUST.

*

THE CONFEDERATION OF BRITISH INDUSTRY has appointed Mr Keith McDowall as deputy director general. He will be responsible for information development. He has been director of information at the CBI since 1981.

*

Mr Herbert Walden, a director and chief executive of the Heart of England Building Society, is to become a part-time member of the BUILDING SOCIETIES COMMISSION.

*

JAMES FINLAY has appointed Mr Peter Rees as a non-executive director.

*

THE HAISTE INTERNATIONAL GROUP has appointed Mr Geoff Bowyer its chief executive. He was director of operations and a board member of Anglian Water.

*

TRANSPORTATION PLANNING ASSOCIATES, a member of the Rendel Group, has made Mr Barry J. Blunt a director. He is a senior assistant director of Rendel Palmer & Tritton.

*

NORTHERN FOODS has made the following board changes from March 31. Mr Martin Clark, currently chief financial executive, joins the board as group finance director. He succeeds Mr Jack Clayton, who is reducing his responsibilities but continuing as a director. Mr Tony Hughes, currently responsible for Northern's milling and baking activities, joins the board as managing director of the Northern Foods Dairy Group. Mr Neil Wall retires from the board.

*

EXPAMET INTERNATIONAL has promoted Mr Alex Orr, group finance director, to group managing director. He will continue to direct group financial strategy.

*

Mrs Ruth Kranz has been appointed commercial director of CULLEN'S HOLDINGS with responsibility for all purchasing and marketing. For the past three years she has been a consultant to Nieman Marcus of Dallas and the Grand Union Corporation USA.

*

Mr Roger Smith has become PEAT MARWICK'S first specialist liquidations partner. Mr Smith, who is co-author of the "Guide to the Insolvency Act 1985," says that "the new legislation has precipitated the need for greater specialisation in the insolvency field, hence my appointment." He joined Peat Marwick 15 years ago.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Oppenheimer Fund Magt Ltd
66 Cannon St, London EC4N 6AE Dlg. 01-236 3885

International Growth	122.7	131.2	+1.0	1.00
Income & Growth	46.9	49.9	-0.5	2.90
Special Situations	69.2	74.0	+0.6	2.10
American Growth	31.8	33.8	+0.7	3.18
Japan Growth	39.5	42.0	+0.4	0.00
European Growth	51.0	55.4	+0.2	2.90
UK Growth	45.0	48.2	-0.2	1.90
Pacific Growth	34.2	36.8	+0.8	0.70
High Income	29.2	31.3	-0.1	8.10
Practical Income Units	45.2	48.1	+0.1	2.70
Practical Accum. Units	81.3	86.5	+0.2	2.70

Pearl Trust Managers Ltd (a)(g)
252 High Holborn, WC1V 7EB 01-405 8441

Pearl Growth Fd.	75.3	80.1	----	2.84
Accum Units	111.3	118.4	----	2.84
Pearl Inc.	100.7	107.1	-0.2	4.65
Pearl Unit Tst.	106.7	113.5	-0.1	3.67
(Accum. Units)	182.7	194.4	-0.1	3.67
Pearl Intl Equity	109.0	116.0	+1.7	1.72
(Accum Units)	109.0	116.0	+1.7	1.72

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames 0491 576868

International Growth	230.5	247.4	+6.5	1.32
Income	158.6	169.9	-1.3	5.31
Worldwide Recovery	128.4	137.8	+0.8	2.00
American Growth	65.8	70.7	+2.6	1.01
Intl. Emerging Cos.	69.4	74.5	+1.3	0.65
Far East Growth 7 d	57.1	61.3	+2.4	1.11
European Growth Fd.	—	50.0	---	—

Prolific Unit Trusts
222 Bishopsgate, London EC2 01-247 7544/7

Prolific American Inc.	52.6	56.0	+0.7	5.41
Prolific Far East	124.6	134.0	+1.5	0.31
Prolific Extra Inc.	70.3	74.5	-0.2	5.26
Prolific C'vert & Gilt	83.4	88.4	-0.3	7.13
Prolific High Inc.	149.6	158.6	-0.2	4.59
Prolific Intl	94.1	101.2	+1.2	1.66
Prolific N. Amer.	128.4	138.1	+1.9	2.20
Prolific Spec. Sits	165.1	175.1	-0.3	1.03
Prolific Technology	109.4	117.6	+1.6	0.47

Providence Capitol Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG 01-749 9111

Japan Inc.	59.4	63.2	+0.5	0.00
Japan Acc.	59.5	63.3	+0.4	0.00
Worldwide Inc.	60.3	64.2	+0.8	1.54
Worldwide Acc.	60.4	64.3	+0.8	1.54
European Tst Inc.	74.0	78.8	+1.5	0.68
European Tst Acc.	74.2	79.0	+1.5	0.68
North American Inc.	54.1	57.6	+1.4	1.69
North American Acc.	54.8	58.3	+1.4	1.69
UK Equity Inc.	56.2	59.8	-0.2	2.71
UK Equity Acc.	57.6	61.3	-0.1	2.71

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

PM Equity Growth	48.6	52.0	----	2.38
PM Income and Growth	47.7	51.1	----	5.40

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377

Holborn Comm Trust	49.7	52.8	+0.2	0.93
Holborn Equity Tst	350.1	372.4	-1.0	3.52
Holborn European Trust	70.2	74.4	+0.8	0.56
Holborn Gilt Tst.	158.8	165.3	+0.1	8.96
Holborn High Inc.	67.1	70.7	-0.3	7.20
Holborn Intl Growth	81.9	87.1	+1.2	0.78
Holborn Japanese Trust	65.7	69.8	+0.4	0.05
Holborn N. Amer. Trust	61.6	65.5	+2.1	1.81
Holborn Spec. Sits.	52.9	56.2	-0.2	2.70
Holborn UK Growth	70.4	74.8	-0.1	3.26

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd	363.6	386.9	----	3.40
Quadrant Income	198.00	210.7	----	6.34
Quadrant Intl. Fund	345.9	368.2	----	1.22
Quadrant Spec. Sits	222.9	237.2	----	3.14

Reed Stenhouse Inv Services Ltd
145 Borough High St, London SE1 1NV 01-628 6011

Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh 031-226 3271

American Fund	210.8	224.5	+5.4	2.14
(Accum. Units)	236.7	252.1	+6.0	2.14
(Withdrawal Units)	152.6	162.5	+3.9	2.14
Australian Fund	118.8	126.5	-0.9	0.91
(Accum. Units)	120.1	127.9	-0.9	0.91
British Fund	497.7	530.1	-1.1	4.50
(Accum. Units)	662.4	705.6	-1.4	4.50
European Fund	232.7	247.8	+1.3	0.99
(Accum. Units)	245.0	260.9	+1.3	0.99
Japan Fund	242.1	257.8	-0.5	0.38
(Accum. Units)	242.8	258.6	+0.5	0.38
Sales PPP	143.6	151.2	---	—

Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham 0403 56293

Equity Tst.	378.0	399.5	-0.8	2.60
North America	55.0	58.5	+1.2	1.78
Far East	58.9	62.6	+1.0	0.84

Sun Life Trust Mngmt. Ltd
107 Cheapside, London EC2V 6DU 01-606 6010

American Growth Acc.	27.3	29.0	+0.5	1.F
American Income Acc.	27.5	29.3	+0.4	4.3
American Income Inc.	27.3	29.0	+0.4	4.3
European Growth Acc.	42.2	44.9	+0.4	1.9
Far East Growth Acc.	31.3	33.3	+0.4	0.8
Int. Growth Acc.	29.1	31.0	+0.5	0.8
Japan Growth Acc.	38.3	40.7	+0.5	0.3
UK Growth Acc.	30.6	32.5	-0.1	2.3
UK Income Acc.	27.4	29.2	-0.2	4.3
UK Income Inc	26.8	28.5	-0.2	4.4
Managed Growth Acc.	32.6	34.7	+0.3	2.2
Managed High Yield Inc	32.8	34.9	-0.2	6.7
Managed Income Inc.	28.6	30.4	-0.1	4.1

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)
99-101 London Rd, Sevenoaks 0732 450161

Equity Dist.*	238.9	252.7	...	3.90
Equity Acc.*	287.3	304.0	...	3.89
Fixed Int. Dist 7	113.4	117.5	...	11.51
Fixed Int. Acc. 7	166.4	172.4	...	11.51

*Prices on Feb 3. Next dealing Feb 12
†Prices on Feb 3. Next dealing Feb 5

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens House, Andover, Hants SP10 1PG
0264 62188 Dealings to 0264 63432-3

TSB American	108.6	115.6	+2.8	1.15
Do. Accum.	113.0	120.3	+2.8	1.15
TSB Extra Income	93.5	99.5	-0.3	5.86
Do. Accum.	107.6	114.5	+0.4	5.84
TSB General	137.2	146.0	-0.2	3.00
Do. Accum.	223.1	237.4	-0.3	3.00
TSB Gilt & Fxd Inc.	44.7	46.6	-0.2	9.51
Do. Accum.	57.3	59.7	-0.2	9.51
TSB Income	183.3	195.1	-0.8	4.77
Do. Accum.	281.4	299.4	-1.2	4.77
TSB Pacific	122.0	129.8	+1.5	0.67
Do. Accum.	125.1	133.1	+1.6	0.67
TSB International	266.5	283.6	+2.7	1.87
Do. Accum.	327.2	348.1	+4.6	1.87
TSB Natural Resources	45.5	48.5	-0.6	2.20
Do. Accum.	46.5	49.5	-0.6	2.20
TSB Sictd. Opps.	51.4	54.7	-0.2	1.98
Do. Accum.	55.9	59.5	-0.3	1.98

3i Unit Trust Managers Ltd
2 St Mary Axe, London EC3A 8BP 01-928 3356

Small Co's Fund	67.7	72.0	+0.7	0.1

Target Trust Mngrs. Ltd (a)(g)
Target Hse, Gatehouse Rd, Aylesbury Bks (0296) 5941

American Eagle	73.6	78.6	[illegible]	0.44
Australia	24.7	26.3	[illegible]	0.10
Commodity	77.1	82.9	[illegible]	2.12
Energy	35.4	37.8	[illegible]	1.43
Equity	109.4	117.1	[illegible]	3.12
European Spec. Sits.	81.8	86.8	[illegible]	0.28
Extra Income	101.6	108.7	[illegible]	6.35
Financial	227.1	242.0	[illegible]	2.07
Gilt Income	95.9	100.5	[illegible]	0.89
Gold Income	62.0	66.3	[illegible]	1.88
Gold Acc.	113.4	121.0	[illegible]	1.88
Income	69.9	74.6	[illegible]	5.16
Japan	61.9	66.1	[illegible]	0.10
Malaysia & Singapore	19.0	20.3	[illegible]	1.36
Pacific Income	72.8	76.7	[illegible]	0.09
Pacific Re Inv	87.7	93.5	[illegible]	0.09
Preference Share	36.1	77.2	[illegible]	10.31

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

Legal & General (Money Mngrs) Ltd
355 Euston Road, NW1 3AG 01-388 3211
High Int Dep Acc 12.04 9.00 13.14 6-mth

Lloyds Bank PLC
71 Lombard St, London, EC3P 3BS. 01-626 1500
High Int Cheque Account ......11.75 9.00 11.30 Qtr

Lombard North Central PLC
11 Bruton St, W1A 3DH 01-409 3434
14-Day Notice ......13.500 9.348 13.349 —

M & G/Kleinwort Benson
91-99 New London Rd, Chelmsford. 0245 51651
H.I.C.A. ......12.00 8.97 13.37 Daily

Midland Bank plc
PO Box 2, Sheffield. 0742 20999 Ext 8655
High Int Chq Acc ......11.11 8.75 12.92 Qtr
£10,000+ ......12.04 9.00 13.30 Qtr

Oppenheimer Money Mgmt Ltd
66, Cannon St, EC4N 6AE. 01-236 1425
Money Mngt. Acc 11.375 8.50 12.17 3-Mth

Phillips & Drew Trust Ltd
120 Moorgate, London EC2M 6XP 01-628 9771
High Int Chq Acc ......12.00 8.97 13.25 Qtr

Provincial Trust
30 Ashley Rd, Altrincham, Cheshire 061-928 9011
High Int Chq Acc ......12.50 9.34 13.93 Mth

Royal Bank of Scotland plc
24 Lombard St, London EC3V 9BA 031-551 0201
Premium Account ......12.15 9.00 13.42 Qtr

Save & Prosper/Robert Fleming
28 Western Rd, Romford RM1 3LB 0708 66966
A.I.B.A. ......11.50 8.60 12.03 Daily

Tyndall & Co
29-33 Princess Victoria St, Bristol. 0272 732241
Demand Acc ......12.26 9.19 13.52 Qtr
Money Acc ......12.04 9.00 13.29 Qtr

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0705 827733
Special Acc ......11.00 8.22 12.20 Mth
Over £10,000 ......11.25 8.41 12.49 Mth

Western Trust & Savings Limited
The Moneycentre, Plymouth PL1 1SE 0752 24341
High Int Chq Acc ......12.63 9.43 13.27 Qtr

NOTES—Gross. rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ф Yield column shows annualised rates of NAV increase. xd ex dividend.

OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Metal Closures	14
BOC Grp.	27	Midland Bk.	35
BSR	5	NEI	10
BTR	33	Nat West Bk.	55
Babcock	13	P & O Dfd	35
Barclays	35	Plessey	14
Beecham	30	Polly Peck	21
Blue Circle	50	Racal Elect.	15
Boots	18	RHM	12
Bowaters	30	Rank Org Ord	35
Brit Aerospace	32	Reed Intnl	60
Brit. Telecom	17	Sears	11
Brown (J.)	3½	TI	35
Burton Ord	45	Tesco	24
Cadburys	13	Thorn EMI	34
Charter Cons	18	Trust Houses	12
Comm Union	23	Turner Newall	9½
Courtaulds	13	Unilever	90
Distillers	36	Vickers	35
FNFC	12	**Property**	
Gen Accident	55	Brit Land	14
Gen Electric	14	Land Secs	26
Glaxo	100	MEPC	26
Grand Met	30	Peachey	24
GUS 'A'	70	Samuel Props	25
Guardian	60	**Oils**	
GKN	20	Brit. Oil & Min.	3½
Hanson Tst.	15	Brit Petroleum	45
Hawker Sidd.	36	Burmah Oil	22
ICI	42	Charterhall	4
'Imps'	16	Premier	5
Jaguar	27	Shell	55
Ladbroke	27	Tricentrol	18
Legal & Gen	60	Ultramar	18
Lex Service	24	**Mines**	
Lloyds Bank	35	Cons Gold	40
Lucas Inds	38	Lonrho	12
		Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

UK to fight cereal 'discrimination'

BY ANDREW GOWERS

BRITAIN may fight for a key change in the European Commission's proposals for a coresponsibility levy on cereals producers, to ensure that the tax is charged on the basis of acreage farmed rather than on volume of sales.

This will add another complication to this year's round of EEC farm price negotiations, which already promises to be one of the most difficult in recent years.

Mr Michael Jopling, the Agriculture Minister, indicated in an interview yesterday that he believed the Commission's plan to raise the proposed coresponsibility levy on sales volumes would discriminate *against* Britain, where large amounts of cereals are sold commercially to feed compounders and merchants.

This compares with the situation in West Germany, where a lot of grain is mixed by farmers themselves for feeding to their own or their neighbour's livestock.

The merchants and compounders have been campaigning *against* the idea of a tax on sales volume because they fear it will encourage more farmers to manufacture animal feed at home. They also maintain that *it would be very difficult* to enforce on farm-to-farm sale.

Mr Jopling has already expressed grave reservations about several aspects of the draft 1986-87 farm price proposals, which are still under consideration in Brussels. In particular, he opposes the plan to exempt *from* the coresponsibility levy the first 25 tonnes of grain sold, which would favour small Continental farms at the expense of Britain's larger *structures*, and the severity of planned changes *in* quality standards, which would *hit British producers of lower-grade cereals especially hard.*

Yesterday, he added beef and milk to the list of producers on which he opposes or wants changes in the Commission's plans.

On beef, the Commission is preparing a radical plan aimed at replacing the present price support system with direct beadage payments, limited to 50 animals in each herd.

"What the beef proposal amounts to is a situation which is very much harsher than what is being proposed for grain and milk. It more or less pulls the rug," he said.

On milk, the Commission is proposing a further reduction in output through a so-called "outgoers' scheme," whereby farmers will be paid to quit *production.* Mr Jopling indicated he was not opposed to this in principle, but that it was *important to ensure that all* EEC member states took the scheme up.

He also said he would fight to obtain a better deal for landlords under the proposal. As it stands, the plan may enable dairy farming tenants to surrender their milk quotas unilaterally, thus rendering a farm unlettable for dairying purposes.

More generally, Mr Jopling said this year's price-fixing promised to be even more difficult than last year's protracted and at times acrimonious negotiations. This is partly because of the range of issues that are to be discussed in addition to prices, and partly because of the forthcoming elections in France, West Germany and the *Netherlands.*

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,680-2,750.

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse, 3.25-3.45.

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots, 0.75-0.79, sticks, 0.77-0.82.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 10.15-10.55.

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse, 229-239.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo in warehouse 2.68-2.75.

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 6.70-6.95.

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO_3, cif, 55-63.

VANADIUM: European free market, min 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif, 2.38-2.48.

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 17.00.

Chicago's new market bosses

BY NANCY DUNNE IN WASHINGTON

THE WORLD'S two largest futures exchanges have chosen new chairmen to lead them into battle this year with both their regulator, the Commodity Futures Trading Commission (CFTC), and their regulator's regulator, Congress.

Capitol Hill must decide this year whether or not to reauthorise the CFTC, and the Commission itself—in what the exchanges see as a bid to cover its back—is trying to push through tough new capital requirements and rules tightening record-keeping in the trading pits.

The new chairmen, Mr John *"Jack" Sandner of the Chicago* Mercantile Exchange and Mr John Gilmore of the Chicago Board of Trade, are old friends from schooldays and are united in their opposition to the CFTC proposals. Both believe that the rules would cripple their industry.

Although they are *allies* in the battle the two chairmen are approaching it in quite different styles, reflecting the contrasts between their exchanges. *Mr Gilmore of the larger and loftier CBT is cautious about tactics, and is making surprisingly conciliatory noises,* considering his exchange's sabre-rattling a few weeks ago. Mr Sandner of the aggressive and younger "Merc" is dynamic and direct.

At the age of 44, Mr Sandner *was brought back for a rare,* fourth year as chairman, having completed a three-year run in 1982. He is preparing for the fight of his life to defeat the "ludicrous" rules which he says could cost the public $1bn and drive 40 per cent of the commodity brokers out of business.

The proposals grew out of the failure last August of a clearing member of the New York Commodity Exchange (Comex). The Commission is also *considering a requirement* to force brokers to carry default insurance although neither the Merc nor the Board of Trade have ever had a member default, Mr Sandner points out indignantly.

"Rules cost money," says Mr Gilmore. "Many brokers, especially in agriculture, are *not now in a position to afford* these expensive propositions." The Board of Trade has set aside $1m for a legal defence fund to fight the proposed regulations.

Mr Sandner hopes to meet the CFTC in the next few weeks — preferably in the Chicago Merc pits where he will try to demonstrate how the proposed trading recording requirements would be "an exercise in futility." The Commission has already backed off over some *of the capital requirements* rules, he says, but he is wary about what will replace the original proposals.

If the exchanges fail to make their case with the CFTC, Mr Sandner says he will take the matter to Congress, which is due to begin reauthorisation hearings this month. Will Mr Gilmore go to Congress? He says: "It *is* easy to be confrontational—that's what makes headlines. "I'm mildly optimistic . . . 45 days ago *I* would have said there was a 90 per cent chance of us going to court."

To take what is essentially a family quarrel to Congress is risky. There are still Congressmen around who want to merge the CFTC with the larger *Securities* and Exchange Commission — a proposal which sends shudders straight through "the last bastion of capitalism."

But there is just as much danger in doing nothing, says Mr Gilmore, the dedicated free trader. Ironically quoting Marx, he says: "We have nothing to lose but our chains."

Australia facing farmers' revolt

BY MICHAEL THOMPSON-NOEL IN SYDNEY

DESPITE ITS current high standing in the opinion polls, Mr Bob Hawke's Australian Labor Party Government seems headed *for a major confrontation* with the farm industry that could knock the bloom off any March 5 celebrations of its general election triumph three years ago.

Two weeks ago, farm leaders met Mr Hawke in Canberra. Afterwards, Mr Ian McLachlan, president of the National Farmers Federation (NFF) described Australian farming's predicament as "diabolical," or "Future Shock times two."

As a result of the meeting, the Government promised an inquiry into Australia's anti-dumping laws, which prop up the price of fertiliser, and another into the fertiliser industry itself. The Department of Primary Industry was also ordered to prepare a position paper, outlining the extent of farming's crisis.

But unless the Government takes bolder actions than these it may find itself encircled by a bushfire of revolt by angry farmers, some of whom are threatening a strike against the banks, plus a blockade of farm exports.

Although the Government does not need to call an election until late 1987, farm militancy could mushroom into the sort of controversy the Government is strenuously seeking to avoid so as to hasten recovery from *the string of political gaffes that* debilitated it last year.

Factors that are plaguing the rural sector include depressed world prices, rampant protectionism, rising domestic costs, and high interest rates.

Mr McLachlan says that many of Australia's 179,000 farmers are "going broke," and that average farm income has slumped to below A$6,500 (£3,185). In the past three or four months, farm values have slipped fast, in some cases by 40 or 50 per cent.

The centre of rural unrest is here

Mr John Kerin (right) Primary Industry Minister

Canowindra, five hours' drive from Sydney, where 600 farmers and small businessmen recently demanded a moratorium on all farm and small business debt.

Mr Peter Ryan, chairman of the Canowindra Rural Reform Committee, said the time had come for "strong—maybe militant—action," warning: "If the Government will not compensate agriculture for propping up the Australian dollar, then we can halt export, and Australia and the dollar will go down the tube together."

It seems unlikely to come to that. But the Canowindra farmers, backed by action committees across the country, are contemplating a range of protests that could test the Government severely.

On February 14, the farmers plan to blockade Canberra. They are also planning a "full-scale march on the banking system throughout Australia," and have called for the suspension of payment of bank interest.

"Quite a few farmers already have bank foreclosure notices in their hands," Mr Ryan told me. "A lot of farmers have borrowings of A$100,000 to A$200,000, while a few around here range to A$500,000."

Canowindra is a mixed farm area.

"Most farmers are paying interest rates of 20 to 23 per cent. They cannot keep up. Some are borrowing simply to pay food bills.

"We are asking the banks to act as a lobby group. They must tell the Government that farm interest rates have got to be equalised with our competitors abroad, who are probably *only paying 8 per* cent."

Recent forecasts from the Bureau of Agricultural Economics (BAE) in Canberra made grim reading. The BAE said that the real net value of farm production — a key indicator—was expected to fall by 26 per cent in 1985-86, following a decline of 19 per cent last year. In current prices, gross farm product this year was expected to fall 5 per cent to A$8.5bn.

Two sectors experiencing the greatest hardship are wheat and sugar. Last month, Australia's Ministers for Primary Industry and Trade, Mr John Kerin and Mr John Dawkins, voiced bitter criticism of the US Farm Act signed by President Ronald Reagan last December.

"Given the importance of the international agricultural market to Australia," they said, "we view with dismay policies adopted by a major agricultural trader which we believe will result in new pressures contributing further to the break-down of an already unstable world market, heavily under threat from predatory trading practices."

They said that of special concern to Australia was the mandatory requirement in the US legislation for the use of US$2bn in commodities over three years for the so-called export enhancement programme and the mandatory US$325m a year in funds or commodities to combat competitor subsidies and potential market access problems for sugar, beef, and casein.

"The answer to unfair trade does not lie in a trade war," they declared. "Everyone ends up a loser. The answer lies in recognising and coming to terms with market realities, and in establishing effective disciplines on agricultural trade."

To date Mr Hawke's Government has devoted most of its energies to succouring its prices and incomes accord with the Australian Council of Trade Unions, which has yielded positive results.

Mr Kerin told the farmers last year that the best thing Labor could do for the farmers was get the economy right.

He said the Government would continue to bear down on inflation and seek to stimulate growth, as well as holding down the budget deficit. "It is for this reason I cannot meet the demands of specific *primary industry groups for* hundreds of millions of dollars."

Since then, the farmers' plight has worsened, and militancy has spread like wild-fire through the bush. One way or another, the Hawke Government seems set for a rough rural ride that could undo much of the repair to its ego and self-confidence.

Police guard for Minister at outlook conference

BY PATRICIA NEWBY

IT WAS a sign of the times that a police guard accompanied the Australian Primary Industry Minister, Mr John Kerin, to the opening of the National Agricultural Outlook Conference in Canberra last week.

Such is the mood of frustration and anger among Australian farmers that no chances were being taken with Mr Kerin's personal safety when he arrived to address the annual farming forum, which is organised by the Bureau of Agricultural Economics.

In the event, Mr Kerin—himself a former poultry farmer forced from the land by economic considerations—was received cordially by his mostly farmer audience even if his message was unpalatable to many: that rural producers will have to become more efficient in the face of stiff world competition or get out. There will be no major Government hand-outs, he made clear.

The BAE's director, Dr Andy Stoeckel, warned the conference that the structural changes and macro economic conditions determining world prices—oversupply of most commodities, the EEC and US subsidy policies and the debt problems of Third World customers — were unlikely to ease in the near future.

And it was generally recognised that world wheat prices would fall by up to US$20 per tonne as a result of the reduction in the loan rate to wheat farmers contained in the US Farm Act. This is a bitter blow to Australian wheat growers, many of whom are already facing the prospect of losses this year.

It was also acknowledged, however, that US efforts to cut production should in the end benefit efficient producers like Australia.

Ironically, Australian wheat farmers' response to lower prices in the short term may well be to increase production to try to increase returns on capital invested.

Lower world prices may also mean that some third world countries can afford more grain this year, thus reducing stockpiles.

The outlook for wool was more cheerful than for other commodities, with a continued modest increase in prices expected in the short-term. Although a downward trend in the real price of wool is predicted in the medium term, the BAE predicts an expansion of the wool clip will maintain profitability.

The prospects for beef and veal were described as "reasonable."

On the world scene, Australia will continue to argue in Multilateral Trade Negotiations (MTN) and the General Agreement on Tariffs and Trade (Gatt) for changes to EEC and US farm support policies which lead to subsidised surplus agricultural exports.

LONDON MARKETS

A WAVE of trade hedge selling against fresh producer sales brought sharp falls on the cocoa futures market yesterday. The prompt March position registered a £40 permissible daily limit fall and when trading was resumed, following the mandatory 15 minute break, the price lost a few more pounds. The May position ended the day £27 lower at £1,714.50 a tonne. Apart from the producer sales, the origin of which was unclear, the market's weak tone was influenced by slack consumer demand reflecting uncertainty ahead of next week's Geneva meeting on the future of the International Cocoa Agreement. Dealers said no agreement on a new pact seemed likely and noted that there was pressure to sell off the agreement's existing 100,000 tonnes buffer stock. The coffee futures market continued its recent slide with the May quotation ending £25 down at £2,247.50 a tonne.

LME prices supplied by Amalgamated Metal Trading.

BASE METALS

ALUMINIUM

	Unofficial close (p.m.)	+ or −	High/low
	£ per tonne		
Cash	755-6	+6.0	756/755
3 months	824.5	+8.75	829/821

Official closing (am): Cash 798-5 (788.5-9.5), three months 827.5 (820-.5), settlement 799.5 (789.5). Final Kerb close: 828-9.

COPPER

Higher grade	Unofficial close	+ or −	High/low
Cash	1019.5-11	+8.5	1009/1008.5
3 months	1048.5-1	+7.5	1042/1033

Official closing (am): Cash 1008.5-9 (1010-1), three months 1027.5-8 (1042-.5), settlement 1009 (1011). Final Kerb close: 1041.5-2.5.

Cathodes			
Cash	996-8	+8.5	992/989
3 months	1021-5	+10.5	—

Official closing (am): Cash 991-2 (992-5), three months 1028-30 (1032-6), settlement 992 (995). Turnover: 20,900 tonnes. US Producer prices 66.50-74.00 cents per pound.

LEAD

	Unofficial close (p.m.)	+ or −	High/low
	£ per tonne		
Cash	261.5-2.5	+4.25	258.5/257
3 months	273.75-4	+3.38	274/268

Official closing (am): Cash 258.5 (256.5-7), three months 270.5-1 (269.5-70), settlement 258.5 (257). Final Kerb close: 273-4. Turnover: 20,625 tonnes. US Spot: 18.00-20.00 cents per pound.

NICKEL

	Unofficial close (p.m.)	+ or −	High/low
	£ per tonne		
Cash	2880-5	+5.0	2820/2820
3 months	2890-5	+21.0	1290/2870

Official closing (am): Cash 2820-30 (2795-2805), three months 2909-10 (2880-5), settlement 2830 (2805). Final Kerb close: 2890-5. Turnover: 1,230 tonnes.

ZINC

High grade	Unofficial close (p.m.)	+ or −	High/low
	£ per tonne		
Cash	460-1	+0.6	451/451
3 months	462-75-3	+1.38	464/460

Official closing (am): Cash 451-2 (450-1), three months 463-4 (461-2), settlement 452 (451). Final Kerb close: 462-3.

Turnover: 8,050 tonnes. US Prime Western: 31.50-35.75 cents per pound.

GOLD

Gold fell $8⅞ an ounce from Monday's close in the London bullion market yesterday to finish at $338¾-339. The metal opened at $343½-344 and traded between a high of $343¾-344¼ and a low of $338-338¾. Once again selling developed in New York, pushing values lower. There was some evidence of short covering around the day's lows but trading remained nervous and unsettled.

GOLD BULLION (fine ounce)		Feb. 4
Close	$338¼-359	(£246¾-246¼)
Opening	$343½-344	(£250-250½)
M'n'g fix	$338.50	(£246.200)
Aft'n'n fix	$338.60	(£246.718)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$339-339½	(£246½-247)
½ Krug.	$179¾-180¼	(£130¾-151)
¼ Krug.	$91¼-92¼	(£66¼-67)
1/10 Krug.	$37½-38	(£27¼-27¾)
Mapleleaf	$349-349½	(£253¾-254¼)
Angel	$347½-349½	(£252¾-254¼)
1/10 Angel	$34-39	(£24¼-28¼)
New Sov.	$82-82½	(£59¾-60)
½New Sov	$48¾-49¼	(£35¼-35¾)
Old Sov.	$87-88½	(£63¼-64¼)
$20 Eagle	$460-500	(£334½-363¾)
Noble Plat	$361¼-365¾	(£263-266)

SILVER

Silver was fixed 7.6p an ounce lower for spot delivery in the London bullion market yesterday at 426.9p. US cent equivalents of the fixing levels were: spot 585.5c, down 18c; three-month 596.05c, down 18.7c; six-month 608.35c, down 18.65c; and 12-month 631.75c, down 18.6c. The metal opened at 430-432p (591-593c) and closed at 423½-425½p (583-585c).

SILVER per troy	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	426.90p	−7.60	425p	−10.6
3 months	439.65p	−8.00	436.75p	−10.2
6 months	454.35p	−7.80	—	—
12 months	480.50p	−7.85	—	—

LME—Turnover: 79 (31) *lots of* 10,000 oz. Three months high/low 440p, final kerb 436-8p.

MEAT

Despite weakness in the spot price, February position prices remained steady in poor volume, reports Eastern Capital-CCST.

Month	Yesterday's close	Previous close	Business done
	p. per kilo (deadweight)		
Feb	106.00	103.70	105.40-105.00
April	102.90	103.50	105.00-102.70
June	101.30	101.80	101.20-101.20
Aug	99.60	99.80	—
Oct	105.50	106.00	—
Nov	106.90	107.00	107.00-107.00

Sales: 21 (73) lots of 50 carcases, 3,250 kg.

MEAT COMMISSION—Average fatstock *prices at representative markets.* GB—Cattle, 95.20p per kg lw (+1.19). GB—Sheep, 178.13p per kg est dcw (+0.29). GB—Pigs, 72.49p per kg lw (+0.22).

INDICES

FINANCIAL TIMES

Jan. 31	Feb. 4	M'th ago	Year ago
			300.55

(Base: July 1 1952=100)

REUTERS

Feb. 4	Feb. 3	M'th ago	Year ago
1654.0	1649.2	1776.6	2016.0

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Feb. 4	Jan. 31	Month ago	Year ago
Spot	129.54	130.35	—	121.59
Fut.	127.21	128.93	—	123.91

(Base: December 31 1931=100) – Not available due to suspension of tin LME

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Feb. 4 1986	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1150/1170	−10	$1175/95
Copper			
Cash h Grade	£1011	+8.5	£966.5
3 mths	£1040.75	+7.5	£981.25
Gold Troy oz	$338.375	−8.125	$322.25
Lead Cash	£259	+4.25	£289
3 mths	£273.5	+3.38	£269.5
Nickel			
Free Mkt	175/195c	−1	186/205c
Palladium oz	$95.00	−7.25	$98.50
Platinum oz	$351.25	−8.25	$361.25
Quicksilver f	$220/230	−5	$230/240
Silver troy oz	426.90p	−7.8	404.20p
3 months	439.65p	−8	416.00p
Tin cash			
3 months			
Tungsten	$63.71		$63.71
Wolfram 22.04lb	$56/63		$53/61
Zinc	£450.5	+0.6	£455.5
3 mths	£462.88	+1.38	£467.25
Producers	$850/700		$850/700
OILS			
Coconut (Phil)	$350w	+20	$455.5
Palm Malayan	$310y	−5	$365
SEEDS			
Copra Phil	$330v		$270
Soyabean (U.S.)	$229.6	−0.7	$224.1
GRAINS			
Barley Fut. May	£117.65	−0.18	£116.75
Maize	£143.00		£145.50
Wheat Fut. May	£120.45	+0.18	£116.25
No. 2 Hard Wint.	‡		
OTHERS			
Cocoa Ft. May	£1714.5	−27.5	£1945
Coffee Ft. May	£2247.5	−25	£2037.5
Cotton A index	54.15c	−0.35	60.25c
Gas Oil Mar.	$155.5	−5.25	$239.75
Rubber (kilo)	58p	+1	67.0p
Sugar (raw)	$159w	−4.5	$138
Woolt'ps 64s	425p kilo	+3	387p kilo

‡ Unquoted. f Per 75 lb flask. c Cents per pound. v Jan-Feb. y March. w Feb-March.

COCOA

Following an easier opening futures plunged to the limit down during the late afternoon and closed on a weak note. Physicals failed to attract producers, however some consumer offtake went apace at the lows of the day, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or −	Business Done
	£ per tonne		
March	1709-1711	−43.5	1747-1705
May	1714-1715	−27.0	1755-1708
July	1740-1741	−25.0	1781-1735
Sept	1769-1770	−25.5	1790-1765
Dec	1788-1789	−27.0	1815-1787
March	1810-1815	−28.0	1838-1810
May	1831-1828	−20.0	1845-1835

Sales: 3,609 (1,695) lots of 10 tonnes.

COFFEE

On a day of mixed sentiment robusta futures opened on a positive note, reports Drexel Burnham Lambert. Further long liquidation took values down to new lows since early December. However, before a more encouraging performance from the New York market urged a recovery prices ended in the upper half of the day's range with somewhat improved physical market activity reported.

COFFEE	Yesterday's Close	+ or −	Business Done
March	2155-6	+2.6	2250-100
May	2246-50	−5.0	2288-175
July	2323-6	−20.0	2355-240
Sept	2386-90	+4.6	2420-316
Nov	2400-25	+5.0	2455-350
Jan	2410-60	−7.6	2460-20
Mar.	2451-520	—	—

Sales: 6,792 (3,693) lots of 5 tonnes. ICO indicator *prices* (US cents per pound) for February 4 Comp. daily 1979 175.99 (179.58): 15-day average 192.18 (194.39).

FREIGHT FUTURES

Confidence in a bear run on the dry cargo contract returned today as sellers appeared keen to establish new short positions. Short covering was in evidence at 885 basis April but may soon be broken as the physical market continues to ease, reports Clarkson Wolff.

The Baltic Freight Index was 821, down 6.5; the Baltic Tanker Index was 862.5, down 2.

	Close	High/Low	Prev.
April	886/886	894/885	899/900
July	780/781	780/775	775/790
Oct.	888/888	890/885	890/899
Jan.	880/890	—	875/899
April	970/982	—	960/985
July	825/870	—	830/880
Oct.	925/940	—	935/945
Jan.	950/1000	—	950/1000

Turnover: 253 (100).

GRAINS

Remained very quiet around unchanged throughout the day on lack of news features. Volume was boosted by a 200 lot cross in March. New crop barley lost up to 45p on country selling, reports Muirpace.

	WHEAT		BARLEY	
Mnth	Yesterd'ys close	+ or −	Yesterdys close	+ or −
Mar	116.70	—	114.16	−0.19
May	120.45	+0.18	117.65	−0.18
July	122.80	+0.18	—	—
Sept	99.40	+0.05	97.30	−0.45
Nov	102.50	+0.05	100.70	−0.25
Jan	106.00	—	104.20	−0.25

Business done—Wheat: Mar 116.85-6.70, May 120.50-20.35, July 122.80-22.70, Sept 99.40-99.25, Nov 102.50-2.35. Sales: 308 lots of 100 tonnes. Barley: Mar 114.25-4.15, May 117.65-7.55, Sept 97.65-7.30, Nov 100.70. Sales: 140 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark northern spring No 1 15 per cent Feb 139, Mar 139.50, April/May 128 transhipment east coast. US No 2 soft red winter Feb 124, Mar 124.70 sellers. EC French Feb 138.50 sellers. English feed fob Feb 118.50 seller, Mar 118.00-120.00, April/June 123.00-123.50, Sept 102.50-103.00, Oct/Dec 106.00-106.50, Jan/Mar 112.00-112.50 buyer/sellers. Maize: US No 3 yellow/French transhipment east coast Feb 143. Barley: English feed fob Feb 119.50-118.70 buyer/seller, English 119 seller, Scotland Mar 118.50-119.75, April/June 122.50-123.00 buyer/sellers, July/Aug 100, Aug 100.50, Sept 101.50 values.

HGCA—Locational ex-farm spot prices. Feed Barley: S. East 112.20, N. West 112.50. The UK *monetary* coefficient for the week beginning Monday February 10 (based on HGCA calculations using five days exchange rates) is expected to change to 1.085.

POTATOES

Market opened steady but announcement from PMB of end January stocks at 3.152m tonnes mid morning brought out sellers to move values down rapidly. Some slight recovery on profit taking was seen towards the close but volume was not as good as of late, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Feb	71.70	72.80	73.00-71.00
Apr	90.30	91.90	92.50-90.10
May	98.70	100.00	101.00-98.10
Nov	72.00	77.00	—
Feb	86.00	84.50	—

Sales: 478 (698) lots of 40 tonnes.

SOYABEAN MEAL

The market opened 50p higher in light professional selling, reports T. G. Roddick. *Prices remained within narrow ranges throughout the* day to close with small losses.

	Yesterday close	+ or −	Business Done
	£ per tonne		
Feb	128.0-132.8	−2.80	—
Apr	134.2-134.6	−0.85	134.6-134.5
June	132.5-132.7	−0.35	133.0-132.5
August	139.5-150.7	−0.15	—
October	131.5-132.5	−0.15	—
Dec.	132.5-135.0	+0.20	135.0
Feb.	132.0-133.0	−0.25	—

Sales: 167 (305) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $139.00 (£101.00), down $4.50 (down £2.50) a tonne for February-March delivery. White sugar $175.50 down $6.00.

Prices drifted initially but later *recovered around* $8, reports C. Czarnikow.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Mar	150.2-150.4	152.0-152.8	152.2-147.6
May	156.0-156.4	160.0-161.2	160.4-155.0
Aug	165.0-165.6	169.0-169.0	167.0-165.0
Oct	170.0-171.0	175.0-175.6	175.0-170.0

Sales: 2,307 (2,157) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £205.0 (same) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for February 3. Daily price 5.39 (same): 15-day average 4.85 (4.84).

PARIS—(FFr per tonne): March 1282/1285, May 1330/1332, Aug 1365/1370, Oct 1400/1420, Dec 1440/1460, March 1500/1515.

US MARKETS

PRECIOUS METALS moved sharply lower in response to *continued declines in energy* prices and general weakness throughout the commodity complex. Copper and aluminium remained steady with *light cash interest* emerging following producer price cuts. Sugar traded mixed with scattered support evident in March from trade buying which was possibly linked to physical sales. Cocoa weakened on reports of afloat cocoa from the Ivory Coast. Coffee remained under pressure as weakness in other markets discouraged fresh buying interest. Cotton traded mixed awaiting fresh news. The soyabean complex also traded mixed with spreading between meal and oil featured. The grain complex traded in a narrow range with wheat firm on house reports of export business. Heating oil and crude oil dropped the expanded daily limits in continued reaction to lack of positive developments at the OPEC committee meeting. The markets expect lack of co-operation between OPCE and Non-OPEC producers, reports Heinold Commodities.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
March	52.30	52.50	52.05	52.40
April	52.55	—	—	52.30
May	52.80	53.05	52.55	52.90
July	53.40	53.40	53.25	53.45
Sept	54.00	53.90	53.50	54.05
Dec	54.90	—	—	54.95
Jan	55.20	—	—	55.25
March	55.75	—	—	55.80
May	58.30	—	—	58.38

COCOA 10 tonnes, $/tonnes

	Latest	High	Low	Prev
March	2062	2086	2062	2108
May	2120	2142	2120	2160
July	2161	2178	2161	2199
Sept	2199	2208	2196	2225
Dec	2225	2240	2217	2255

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
March	205.64	208.50	201.95	209.89
May	210.00	212.50	207.78	213.78
July	214.31	216.25	213.46	216.48
Sept	216.59	219.76	215.95	221.95
Dec	219.50	220.25	218.25	224.25
March	222.83	223.50	222.00	221.25
May	225.25	—	—	229.50

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
March	63.80	54.05	63.46	63.65
April	64.10	—	—	63.80
May	64.40	64.65	64.10	64.25
July	64.70	64.90	64.25	64.55
Sept	64.95	65.10	64.55	64.85
Dec	65.50	65.70	65.25	65.45
Jan	65.70	—	—	65.65
March	66.05	66.10	66.00	66.00
May	66.45	—	—	66.40

CRUDE OIL (LIGHT) 42,000 US gallons, $/US barrel

	Latest	High	Low	Prev
March	15.40	16.80	15.38	17.38
April	16.33	17.00	16.33	17.83
May	16.41	16.95	16.41	17.91
June	16.45	17.00	16.45	17.95
July	16.49	16.90	16.49	17.99
August	16.53	17.06	16.53	18.03
Sept	16.57	17.30	16.57	18.07
Oct	16.61	17.40	16.61	18.11
Nov	16.65	17.00	16.65	18.15
Dec	16.69	17.65	16.69	18.19
Jan	16.75	17.10	16.75	18.23
Feb	77.50	18.00	17.50	18.27

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Feb	334.1	339.5	332.5	343.7
March	335.7	341.5	338.0	346.5
April	337.1	343.0	335.5	347.4
June	341.1	347.0	339.0	351.3
August	345.1	350.5	343.0	355.6
Oct	349.1	354.5	348.5	359.7
Dec	353.2	359.5	351.0	362.0
Feb	357.3	363.0	360.0	368.3
April	361.3	366.0	361.5	372.5

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
March	46.00	49.20	45.90	50.86
April	46.45	48.10	45.45	50.45
May	44.50	46.80	44.48	48.48
June	44.48	46.80	44.48	48.48
July	44.46	46.75	44.45	48.45
August	45.80	47.40	45.80	48.80
Sept	46.50	47.20	46.50	50.50
Oct	49.00	49.00	49.00	51.20
Nov	49.40	49.40	49.40	52.00
Dec	50.00	51.00	49.06	53.00

SPOT PRICES — Handy and Harman silver bullion 583.00 (602.50) cents per troy ounce.

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
March	59.85	60.43	59.45	60.10
May	59.70	60.70	59.55	60.12
July	57.03	57.95	57.00	57.85
Oct	49.95	50.45	49.80	49.38
Dec	48.42	49.20	48.35	49.03
March	49.30	50.02	48.85	49.85
May	49.90	—	—	50.15
July	50.25	—	—	49.75

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
March	86.95	89.00	86.10	87.70
May	87.90	89.00	86.25	87.80
July	88.40	88.50	86.80	88.20
Sept	88.45	88.20	87.50	88.45
Nov	88.90	89.50	88.00	88.95
Jan	89.15	89.00	89.00	88.45
March	03.50	89.75	89.75	89.95
May	89.85	—	—	90.45
July	89.85	—	—	90.00

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Feb	348.3	348.0	342.5	361.5
March	350.0	—	—	363.5
April	351.7	364.0	345.2	358.0
July	354.7	357.0	349.5	368.6
Oct	352.7	360.0	360.6	371.3
April	363.4	365.0	361.0	368.8

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
March	587.5	596.0	580.5	604.0
April	591.3	—	—	604.8
May	594.6	590.0	586.0	607.6
July	602.5	607.0	588.0	609.6
Sept	610.7	665.0	605.0	619.0
Dec	622.6	628.0	616.6	630.9
Jan	626.9	—	—	635.1
March	635.3	616.0	631.0	643.6
May	643.7	641.0	641.0	652.5

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
March	5.79	6.02	5.60	5.78
May	6.06	6.27	5.99	6.16
July	6.32	6.54	6.26	6.47
Sept	6.45	6.65	6.44	6.56
Oct	6.58	6.77	6.53	6.71
Jan	7.16	—	—	7.29
March	7.20	7.28	7.08	7.29
May	7.35	7.33	7.28	7.43

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Feb	57.45	58.35	57.10	58.15
April	60.35	61.72	60.30	61.80
June	60.60	61.90	60.40	61.82
August	58.70	59.75	58.50	58.75
Oct	57.32	58.15	57.20	58.05
Dec	59.25	59.65	59.15	59.66

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Feb	44.95	45.20	44.12	45.05
April	39.97	40.75	39.25	40.67
June	44.16	44.65	43.35	44.52
July	44.77	45.35	44.27	45.27
August	43.65	44.20	43.30	44.10
Oct	40.50	41.10	40.30	41.12
Dec	41.00	42.10	41.80	42.30
Feb	42.20	—	42.20	42.72

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
March	243.4	244.2	243.0	244.0
May	243.6	244.4	243.4	244.4
July	243.6	244.0	242.6	244.2
Sept	221.2	221.4	220.6	221.2
Dec	215.0	215.5	215.0	215.4
March	223.4	224.2	223.4	224.0
May	227.0	227.0	227.0	227.4

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	58.12	59.70	58.12	60.12
March	58.47	60.40	58.47	60.47
May	59.97	61.70	59.70	61.50
July	60.12	61.50	59.75	61.70
August	57.97	59.55	57.67	59.52

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
March	528.2	529.6	524.4	527.6
May	537.4	538.4	533.0	537.2
July	544.4	545.6	542.4	545.6
August	543.0	544.0	541.4	544.6
Sept	527.0	529.0	527.0	528.0
Nov	522.0	525.4	521.4	526.2
Jan	532.6	536.0	531.5	535.4
March	542.6	545.0	542.4	546.0
May	551.0	553.4	550.0	554.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
March	147.9	148.2	147.7	148.9
May	150.4	151.6	150.3	151.7
July	152.6	153.6	152.3	153.6
August	152.9	154.0	152.8	153.9
Sept	149.0	151.0	149.0	151.2
Oct	145.2	146.5	145.0	146.6
Dec	146.3	148.0	146.2	148.1
Jan	147.0	148.0	147.0	148.0
March	150.0	150.0	150.0	151.0

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
March	19.82	19.84	19.40	19.58
May	20.19	20.19	19.85	19.97
July	20.50	20.51	20.20	20.32
August	20.60	20.60	20.32	20.41
Sept	20.45	20.45	20.35	20.40
Oct	20.50	20.50	20.35	20.35
Dec	20.82	20.85	20.65	20.75
Jan	20.90	—	—	20.85
March	20.90	—	—	20.00

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
March	324.2	324.4	320.0	322.2
May	286.0	285.0	283.0	284.6
July	268.2	268.4	265.4	267.6
Sept	270.0	270.4	268.2	269.4
Dec	283.0	283.0	280.2	282.2
March	286.4	—	—	286.4

OIL

Gas oil prices fell quickly in the morning in line with lower futures market and despite strong short-term demand. Naphtha also fell sharply following weak futures. Bunker C down in line with distillates. Early February Brent and 15-day February Brent are very firm while second-half February non-15-day is about a dollar weaker at $17.50 and March/May are about $3 weaker at around $15.50. Nymex March WTI opened 1.31 down and traded at 1.21 down at 1.30 pm EST. Brent discounts forward months while on Nymex they are at a premium —Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—Feb.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	15.00-15.50*	−1.00
Brent Blend	18.25-18.38	+0.075
W.T.I. (1pm est)	18.10-16.20*	−0.60
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	203-206	−1.50
Gas Oil	177-180	+11.50
Heavy fuel oil	88-92	−4
Naphtha	176-180	+11.50

* March

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close	+ or −	Business Done
	$ U.S. per tonne		
Feb	181.00	−8.25	61.00-73.50
Mar	166.50	−5.00	69.75-56.00
Apr	149.50	−8.75	57.75-45.25
May	144.50	−10.50	54.00-44.00
June	144.50	−6.50	51.00-44.50
July	145.00	−8.50	52.50-45.00
Aug	145.50	−8.25	49.50-45.75
Sep	149.00	−12.50	58.50-49.00

Turnover: 9,864 (5,038) lots of 100 tonnes.

CRUDE OIL FUTURES—Brent Blend Index, $ a barrel. (Close, change, business done): Index 18.52, −7.23; Mar 16.40-16.40, −0.70, 16.60; April 15.00-16.30, −0.95, 16.30-15.80; May 15.00-16.50, −0.95, 16.50; June 15.00-16.80.

Turnover: 0 (14) lots of 1,000 barrels.

RUBBER

PHYSICALS—The market opened steadier, met resistance at the higher levels and closed uncertain, reports Lewis and Peat. Closing prices (buyers): Spot 62.00p (61.00p), Mar 60.75p (60.00p), April 61.25p (61.00p). The Kuala Lumpur fob prices (Malaysia/Singapore cents) per kg RSS No 1 was 188.5 (187.5) and for SMR 20 193.0 (190.5).

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

UK money supply helps pound

The pound finished towards its best level of the day and little changed from Monday's closing levels on better than expected UK money supply figures. Despite a further fall in oil prices, the pound recovered sharply during the afternoon, having opened on a weaker note. M3 and bank lending grew by 1 per cent and £400m respectively, some way below expectations. In addition UK reserves showed a small rise which defied all projections and left the market a little bewildered.

Sterling's exchange rate index opened at 73.0 down from 73.5 at Monday's close and sank to a low of 72.9 at noon before recovering to finish at 73.5. The banking figures provided a significant boost to sterling's morale and for the time being outweighed a softer tone to domestic interest rates and another fall in oil prices.

Sterling recovered from a low of $1.3660 to finish at $1.3770 still down from $1.3865 on Monday. After touching a record trading low of DM 3.2950 against the D-mark, the pound finished at DM 3.3250, little changed from DM 3.3275 previously. Elsewhere it finished at SFr 2.8125 from SFr 2.8225 and FFr 10.1875 compared with FFr 10.1950.

The dollar built on Monday's gains, helped by recent encouraging economic data and a growing feeling that the authorities were not keen to see the dollar fall further for the time being. This idea was further supported by recent comments made by the Governor of the Bank of Japan which indicated a desire to see the yen/dollar stabilise around current levels. The Opec meeting left ministers in broad agreement about proposing an increase in production. The effects of such a move were difficult to assess immediately and markets therefore showed little clear reaction. The dollar rose to DM 2.4145 from DM 2.40 and Y192.05 from Y191.50.

Against the Swiss franc it improved to SFr 2.0430 from SFr 2.0350 and FFr 7.3975 compared with FFr 7.3525. On Bank of England figures, the dollar's exchange rate index rose from 123.7 to 124.7.

£ IN NEW YORK

(latest)

	Close	Feb. 4	Prev. close
£ Spot	$1.3790-1.3780		$1.3880-1.3890
1 month	0.53-0.50pm		0.58-0.56pm
3 months	1.66-1.64pm		1.67-1.64pm
12 months	5.60-5.50pm		5.57-5.47pm

Forward premiums and discounts apply to the U.S. dollar

D-MARK — Trading range against the dollar in 1985-86 is 3.4510 to 2.3790 January average 2.4392. Exchange rate index 132.1 against 125.7 six months ago.

The D-Mark lost ground in Frankfurt yesterday as dollar sentiment improved. Better US economic statistics and a growing realisation of the benefits of lower oil prices encouraged dollar demand in quite active trading. The dollar rose to DM 2.4215 up from DM 2.3960. Earlier in the day it had been fixed without Bundesbank intervention at DM 2.4171 from DM 2.3905.

JAPANESE YEN — Trading range against the dollar in 1985-86 is 263.15 to 191.50 January average 199.95. Exchange rate index against 157.5 six months ago.

The yen was slightly easier against the dollar in Tokyo. The US unit gained some strength from comments made by the governor of the Bank of Japan which suggested that the yen was rising a little too fast at the moment. The dollar closed at Y191.35 against Y190.80 in New York and Y190.85 in Tokyo on Monday. Sterling continued to suffer on oil price fears but managed to finish above the day's lows. Elsewhere the D-mark fell to Y79.79 from Y80.25.

POUND SPOT—FORWARD AGAINST POUND

Feb 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.3660-1.3800	1.3765-1.3775	0.53-0.50c pm	4.48	1.65-1.60pm	4.72
Canada	1.9761-1.9899	1.9871-1.9889	0.30-0.21c pm	1.54	0.94-0.69pm	1.64
Nethlnd.	3.73⅞-3.76⅞	3.74⅞-3.75⅞	2⅛-2c pm	6.57	6¾-6⅞pm	7.04
Belgium	67.95-68.16	67.95-68.05	12-4c pm	1.41	29-18pm	1.32
Denmark	12.18¾-12.30	12.25⅞-12.25¾	5⅞-4⅞ore pm	4.64	15⅞-14¼pm	4.29
Ireland	1.1006-1.1038	1.1013-1.1023	—	—	—	—
W. Ger.	3.29⅞-3.37⅞	3.32-3.33	2⅞-2pf pm	7.42	6⅞-6⅞pm	8.17
Portugal	214.65-218.73	217.04-218.67	260-620c dis	−24.33	565-1565dis	−19.63
Spain	207.96-209.76	209.25-209.64	20c pm-25dis	−0.14	5-120dis	−1.19
Italy	2249-2280⅞	2281⅞-2282⅞	10-12 lire dis	−5.82	29-34dis	−5.56
Norway	10.28-10.36	10.34-10.36	par-⅛ore dis	−0.43	⅛pm-1dis	−0.17
France	10.13⅞-10.22	10.18⅞-10.19⅞	⅞-1⅛c dis	−1.03	6⅞-8⅞dis	−2.99
Sweden	10.39-10.45⅞	10.44⅞-10.45⅞	⅛ore pm-par	0.36	2⅞-1⅞pm	0.91
Japan	262⅞-265⅞	264-265	1.46-1.33y pm	6.31	4.65-4.35pm	6.71
Austria	23.24-23.46	23.42-23.46	12⅞-10⅞gro pm	5.83	37⅞-33⅞pm	6.07
Switz.	2.79-2.82⅞	2.80⅞-2.81⅞	2-1⅞c pm	8.24	6⅞-6pm	8.69

Belgian rate is for convertible francs. Financial franc 68.85-68.95 Six-month forward dollar 3.12-3.07c pm 12-month 5.45-5.30c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Feb 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.3660-1.3800	1.3765-1.3775	0.53-0.50c pm	4.48	1.65-1.60pm	4.72
Ireland†	1.2482-1.2595	1.2525-1.2535	1.20-1.00c pm	10.52	3.50-3.00pm	10.36
Canada	1.4345-1.4453	1.4430-1.4440	0.33-0.36c dis	−2.87	1.13-1.18dis	−3.20
Nethlnd.	2.7070-2.7345	2.7255-2.7265	0.48-0.45c pm	2.05	1.50-1.47pm	2.18
Belgium	49.10-49.53	49.35-49.45	11-15c dis	−3.16	41-48dis	−3.61
Denmark	8.83⅞-8.92⅞	8.89⅞-8.90	⅛ore pm-⅛dis	−0.17	⅛pm-⅛dis	−0.03
W. Ger.	2.3940-2.4225	2.4140-2.4150	0.64-0.59pf pm	3.06	2.02-1.97pm	3.31
Portugal	157-158⅞	157⅞-157⅞	280-500c dis	−28.57	800-1300dis	−34.13
Spain	151.40-152.25	152.05-152.20	35-75c dis	−4.35	170-225dis	−5.20
Italy	1635-1646⅞	1642-1643	14-15⅞ lire dis	−10.75	44-47dis	−11.09
Norway	7.48⅞-7.52⅞	7.51-7.51⅞	2⅞-3⅞ore dis	−4.88	9⅞-9⅞dis	−5.06
France	7.36⅞-7.41⅞	7.39⅞-7.40	3⅞-4c dis	−5.89	15-16⅞dis	−8.52
Sweden	7.55-7.58⅞	7.58⅞-7.59	2⅞-2⅞ore dis	−4.15	7⅞-7⅞dis	−4.02
Japan	191.10-192.45	192.00-192.10	0.30-0.27y pm	1.78	0.91-0.87pm	1.85
Austria	16.86⅞-17.03⅞	16.96-16.98	2⅞-1⅞gro pm	1.33	6⅞-4⅞pm	1.30
Switz.	2.0285-2.0500	2.0425-2.0435	0.65-0.60c pm	3.67	1.98-1.93pm	3.83

† UK and Ireland quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 50.00-50.10.

EXCHANGE CROSS RATES

Feb. 4	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.377	3.325	264.5	10.19	2.813	3.753	2262.	1.989	68.00
$	0.726	1.	2.415	192.1	7.398	2.043	2.726	1643.	1.444	49.40
DM	0.301	0.414	1.	79.55	3.064	0.846	1.129	680.2	0.598	20.45
YEN	3.781	5.206	12.57	1000.	38.52	10.63	14.19	8551.	7.518	257.1
F Fr.	0.982	1.352	3.264	259.6	10.	2.761	3.683	2220.	1.952	66.75
S Fr.	0.356	0.490	1.182	94.04	3.622	1.	1.334	804.2	0.707	24.16
H Fl.	0.266	0.367	0.886	70.49	2.715	0.750	1.	602.7	0.530	18.12
Lira	0.442	0.609	1.470	116.9	4.504	1.244	1.660	1000.	0.879	30.07
C $	0.503	0.692	1.672	133.0	5.123	1.414	1.887	1137.	1.	34.20
B Fr.	1.471	2.025	4.890	389.0	14.98	4.136	5.518	3326.	2.924	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

Feb. 4	Short term	7 Days notice	3 Month	Three Months	Six Months	One Year
Sterling	11¾-12	12¼-12⅝	12⅞-13	12⅞-13	12⅞-13	12¾-12⅞
U.S. Dollar	7⅝-7⅞	7⅞-7⅞	7⅞-8	7⅞-8	7⅞-8	8⅛-8⅞
Can Dollar	10⅝-11¼	10⅞-11⅛	10⅞-11⅛	11⅛-11⅞	10⅞-10⅞	10⅞-10⅞
D Guilder	5⅞-5⅞	5⅞-5⅞	5⅞-5⅞	5⅞-5⅞	5⅞-5⅞	5⅞-5⅞
Sw. Franc	3-3⅛	3⅞-3⅞	4-4⅛	4⅛-4⅞	4⅛-4⅞	4⅛-4⅛
Deutschmrk	4⅛-4⅞	4⅛-4⅞	4⅛-4⅞	4⅛-4⅞	4⅞-4⅞	4⅛-4⅛
Fr. Franc	8⅞-9⅛	9⅛-10	13-13⅛	15⅞-16⅞	13⅛-14	12¼-12¾
Italian Lire	15-16	13⅛-13⅞	18⅛-19⅞	18¼-19¼	17-17⅞	15¾-16¼
B.Fr.(Fin)	9⅛-9⅞	9⅛-9¾	9¾-10	9¾-10	9⅛-9¾	9⅞-9⅞
B.Fr (Con)	9⅛-10	10⅞-11	11¾-12¼	12-12⅛	10⅛-11	9⅛-10
Yen	5⅞-5⅞	5⅞-6⅛	6⅛-6⅞	5⅞-6⅛	5⅞-6	5⅞-6
D. Krone	7¾-8¼	8⅛-9	8⅛-9	8¾-9¼	8¾-9¼	8¾-9¼
Asian $ (Sng)	7⅞-8⅛	7⅞-8⅛	7⅞-8⅛	7⅞-8⅛	7⅞-8⅛	8⅛-8¼

Long-term Eurodollars: two years 9⅞-9⅞ per cent; three years 8⅞-9⅞ per cent; four years 9⅞-9⅞ per cent; five years 9⅞-9⅞ per cent nominal. Short-term rates are call for US dollars and Japanese yen; others two days' notice.

CURRENCY MOVEMENTS

Feb. 4	Bank of England Index	Morgan Guaranty Change %
Sterling	73.5	−18.2
U.S. dollar	124.7	+14.7
Canadian dollar	77.7	−14.1
Austrian schilling	123.0	+6.6
Belgian franc	93.2	−8.5
Danish Kroner	83.6	−2.2
Deutsche mark	132.1	+15.0
Swiss franc	161.1	+12.6
Guilder	121.7	+8.0
French franc	70.6	−10.6
Lira	46.5	−18.4
Yen	184.7	+85.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

OTHER CURRENCIES

Feb. 3	£	$
Arg'tina	1.0966-1.0988	0.8000-0.8010
Aus'alia	1.9840-1.9890	1.4425-1.4440
Brazil	16,662-16,757	12,155-12,215
Finland	7.4285-7.4445	5.4010-5.4030
Greece	200.64-205.13	145.07-148.05
H'kong	10.7380-10.7730	7.8045-7.8055
Iran	116.20*	83.00*
Kuwait	0.3940-0.3990	0.28850-0.28860
Lux'burg	67.95-68.05	49.35-49.45
Malay'sa	3.3910-3.4010	2.4645-2.4665
N'Z'land	2.6390-2.6490	1.0165-1.0215
Saudi Ar.	5.0190-5.0240	3.6505-3.6510
Sin'pore	2.9350-2.9460	2.1335-2.1355
S.Af.(Cm)	2.9490-3.0455	2.1455-2.2165
S.Af. (Fn)	4.1250-4.1575	2.9965-3.0075
U.A.E	5.0495-5.0550	3.6725-3.6735

* Selling rate.

CURRENCY RATES

Feb. 4	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.807064	0.653692
U.S.$	7½	1.10866	0.894587
Canadian $	10.80	*	1.28775
Austria Sch.	4	18.7832	16.0080
Belgian Fr.	8¾	54.4656	44.3105
Danish Kr.	7	9.82533	7.96842
D'mark	4	N/A	2.15238
Guilder	6	3.00803	2.44133
French Fr.	8½	N/A	6.62531
Lira	15½	N/A	1471.37
Yen	4½	211.396	171.860
Norway Kr.	8	N/A	6.72729
Span'h Pta.	—	167.867	136.082
Swedish K.	9½	8.35747	6.79483
Swiss Fr.	4	2.25897	1.83095
Greek Drch	20½	N/A	132.258
Irish Punt	—	N/A	0.714526

* C$/SDR rate for February 3: 1.59073

STERLING INDEX

	Feb 4	Previous
8.30 am	73.0	73.3
9.00 am	73.1	73.4
10.00 am	72.9	73.3
11.00 am	73.2	73.4
Noon	72.9	73.4
1.00 pm	73.2	73.5
2.00 pm	73.2	73.5
3.00 pm	73.5	73.6
4.00 pm	73.5	73.5

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu February 4	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	44.2105	−1.39	+1.10	±1.5425
Danish Krone	8.12857	7.96942	−1.96	+0.53	±1.6421
German D-mark	2.23340	2.16233	−3.18	−0.69	±1.1455
French Franc	6.86432	6.62531	−3.48	−0.99	±1.3654
Dutch Guilder	2.52208	2.44133	−3.20	−0.71	±1.5162
Irish Punt	0.724578	0.714526	−1.39	+1.19	±1.6673
Italian Lira	1520.60	1471.37	−3.24	−2.16	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

Prices rise

Prices of interest rate contracts rose on the London International Financial Futures Exchange yesterday, as sterling and dollar denominated contracts benefitted from the strength of cash gilt prices in London, and the US bond market, with short sterling and gilt futures prices also rising after surprisingly good figures on UK money supply, bank lending, and currency reserves.

Three-month sterling deposits for March opened very weak at 86.65, but this was the low of the day. This reflected the decline of sterling on the foreign exchanges, on fears of still lower oil prices after an inconclusive Opec meeting in Vienna, and nervousness ahead of the mid-January UK money supply figures.

Fears that a falling pound and bad money supply figures would be the cue for a rise in clearing bank base rates, were soon dispelled, however, as sterling recovered and the figures turned out to be much better than even the most optimistic economist had forecast.

Three-month sterling touched a peak of 87.23 after sterling M3 rose by only 0.25 per cent, compared with forecasts of around 1 per cent, and bank lending increased by £400m against estimates of about £3bn. Currency reserves were expected to fall, because of Bank of England support for the pound, but rose by £132m. The contract closed at 87.20, compared with 86.77 on Monday.

March long gilts opened little changed at 107-16, and touched 108-28, before closing at 108-23, against 107-17 previously.

US Treasury bond futures were boosted by the prospect of lower US inflation, because of falling oil prices, and hopes of easier monetary policy by the Federal Reserve to stimulate economic growth. The programme of US Treasury auctions, beginning yesterday, was expected to meet with good demand from foreign investors.

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.3770	1.3715	1.3608	1.3461	1.3223

IMM—STERLING Se per £

	Close	High	Low	Prev
March	1.3665	1.3720	1.3600	1.3790
June	1.3520	1.3560	1.3420	1.3618
Sept	1.3385	1.3375	1.3300	1.3468
Dec	1.3250	1.3250	1.3250	1.3350

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
March	1.3710	1.3720	1.3600	1.3800
June	1.3540	1.3520	1.3420	1.3638
Sept	1.3395	—	—	1.3493

Estimated volume — (—)
Previous day's open int. — (2,118)

LIFFE—DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
March	0.4154	0.4166	0.4145	0.4187
June	0.4163	—	—	0.4222

Estimated volume — (—)
Previous day's open int. — (211)

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
March	108-23	108-28	107-01	107-17
June	109-13	109-00	108-00	108-07
Sept	109-12	—	—	108-09

Estimated volume — (—)
Previous day's open int. — (7,416)
Basis quote (clean cash price of 12% Treasury 2004-08 less equivalent price of near futures contract) −18 to −8 (32nds)

70% NOTIONAL SHORT GILT £100,000 64ths of 100%

	Close	High	Low	Prev
March	95-22	95-22	94-25	94-37
June	95-52	—	—	95-53

Estimated volume — (—)
Previous day's open int. — (1,221)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
March	87.20	87.22	86.65	86.77
June	87.77	87.77	87.24	87.37
Sept	88.27	88.27	87.87	87.97
Dec	88.39	88.70	88.35	88.27
March	88.82	88.82	88.50	88.41
June	88.82	88.84	88.82	88.43

Estimated volume — (—)
Previous day's open int. — (11,274)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
March	144.80	144.70	143.80	143.30
June	146.00	—	—	144.80

Estimated volume — (—)
Previous day's open int. — (2,174)

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
March	92.15	92.19	92.14	92.12
June	92.11	92.14	92.08	92.01
Sept	91.87	92.00	91.81	91.84
Dec	91.76	91.79	91.72	91.62
March	91.44	91.52	91.47	91.42
June	91.32	—	—	91.17
Sept	91.10	—	—	90.94

Estimated volume — (—)
Previous day's open int. — (20,336)

US TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	85-17	86-18	85-31	85-14
June	85-18	85-08	85-06	84-12

Estimated volume — (—)
Previous day's open int. — (2,760)

CHICAGO

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
March	86-18	86-19	86-06	85-26
June	85-28	85-28	85-08	84-27
Sept	84-29	84-27	84-10	83-30
Dec	84-01	84-06	83-02	83-05
March	83-12	83-16	83-18	82-14
June	82-22	82-22	82-09	81-25
Sept	—	—	—	—
Dec	81-21	81-21	81-14	80-23
March	—	—	—	80-10
June	—	—	—	79-31

US TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
March	93.35	93.38	93.32	93.20
June	93.26	93.28	93.22	93.14
Sept	93.11	93.12	93.10	92.99
Dec	92.92	92.95	92.90	92.79
March	92.72	92.77	—	92.57
June	92.51	92.51	92.46	92.36
Sept	92.31	92.31	—	92.17
Dec	92.12	92.12	—	91.99

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
March	92.47	92.47	—	92.43
June	92.39	92.35	—	92.34
Sept	—	—	—	92.18
Dec	—	—	—	91.98

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
March	92.16	92.19	92.15	92.12
June	92.11	92.14	92.10	92.04
Sept	91.86	92.00	91.86	91.88
Dec	91.75	91.75	91.71	91.66
March	91.50	91.54	91.48	91.42
June	91.25	91.31	91.25	91.18
Sept	91.04	91.04	91.04	90.96
Dec	90.86	90.90	90.86	[illegible]

LIFFE—EURODOLLAR OPTIONS $1m points of 100%

Strike price	Calls—Last March	June	Sept	Vol	Puts—Last March	June	Sept	Vol
90.50	2.10	2.11	—	—	0.00	0.00	—	—
90.50	1.66	1.62	1.53	—	0.00	0.07	0.08	—
91.00	1.16	1.14	1.10	—	0.00	0.03	0.13	—
91.50	0.67	0.71	0.72	—	0.01	0.10	0.25	50
92.00	0.24	0.36	0.42	10	0.08	0.25	0.45	50
92.50	0.03	0.14	0.21	—	0.37	0.53	0.74	—
93.00	0.00	0.04	0.08	—	0.84	0.93	1.11	—

Previous day's open int: Calls 3,539 Puts 2,050

LIFFE £/$ OPTIONS £25,000 (cents per £1)

Strike price	Calls—Last Feb	Mar	April	June	Sept	Puts—Last Feb	Mar	April	June	Sept
1.20	—	17.88	—	17.88	—	—	0.01	—	0.44	—
1.25	—	12.88	12.88	12.88	12.89	—	0.08	0.15	1.14	2.59
1.30	7.89	7.89	7.89	7.89	8.05	0.10	0.49	0.72	2.46	4.38
1.35	3.14	3.88	4.33	4.65	5.95	0.45	1.78	2.31	4.65	6.80
1.40	0.59	1.54	1.99	2.89	3.65	2.67	4.44	5.02	7.49	9.85
1.45	0.08	0.48	0.82	1.56	2.44	7.34	8.36	8.65	11.15	13.44
1.50	0.00	0.10	0.13	0.76	1.49	12.31	13.00	13.56	15.36	17.49

Estimated vol. total calls 880 puts 346. Previous days open interest calls 8497 puts 8002.

LONDON SE £/$ OPTIONS £12,500 (cents per £1)

Strike price	Calls—Last Feb	Mar	April	June	Sept	Puts—Last Feb	Mar	April	June	Sept
1.20	—	18.10	—	18.10	—	—	0.30	—	0.50	—
1.25	—	13.10	—	13.10	—	—	0.30	—	1.00	2.70
1.30	—	8.10	—	8.30	8.70	—	0.60	—	2.50	4.50
1.35	3.20	4.05	4.70	5.10	6.00	0.80	1.90	2.75	4.50	6.80
1.40	0.85	1.70	2.10	3.00	3.45	3.10	4.70	5.50	7.40	9.70
1.45	0.25	0.40	0.95	1.60	2.40	7.20	8.50	9.40	10.90	13.00
1.50	0.70	0.20	0.45	0.75	1.50	12.70	12.40	13.60	14.70	17.00

Previous day's open int: Calls 6,830 Puts 6,689 Volume: 889

PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1)

Strike price	Calls—Last Feb	Mar	April	June	Sept	Puts—Last Feb	Mar	April	June	Sept
1.20	—	—	—	—	—	—	—	—	—	—
1.25	—	—	—	—	—	—	—	—	—	—
1.30	—	—	—	—	—	—	—	—	2.35	—
1.35	2.85	3.70	4.10	—	—	0.65	1.80	2.95	4.40	—
1.40	0.45	1.45	1.90	3.45	—	2.80	4.20	5.00	7.80	—
1.45	—	0.45	0.65	—	—	7.90	—	—	—	—
1.50	—	0.10	—	—	—	—	—	—	—	—

MONEY MARKETS

Rates fall on surprising figures

Interest rates fell back on the London money market yesterday afternoon, after publication of surprisingly good UK money supply and bank lending figures. The market was also encouraged by a rise in January UK gold and currency reserves of £132m, against forecasts of a fall of around £500m because dealers believed the Bank of England had supported sterling on a large scale.

Lending by British banks to the private sector rose by only £400m in the five weeks to mid-January, compared with forecasts of about £3bn, and the mid-December figure of over £2bn. In the same period M3 money supply rose by only 0.25 per cent, against expectations of a 1 per cent increase, and the December rise of 0.6 per cent.

Although interbank rates declined on these figures, the market was not happy about the very wide difference between most economists' forecasts and the published results, with the underlying rise in bank lending considerably lower than the monthly average of about £1.7bn during the last six months.

The weakness of sterling, on falling oil prices, pushed three month interbank up to 13⅛-13¼ per cent in early trading, with the market also very nervous ahead of the money supply figures. But the improvement in the pound, coupled with the published figures, reduced the three-month rate to 12 15/16-13 1/16 per cent, compared with 13 3/16-13 5/16 per cent on Monday. Discount houses buying rates for three-month bank bills fell to 12 7/16-12⅜ per cent from 12⅝ per cent.

The Bank of England forecast a money market shortage of £300m, and provided help of £336m, through outright purchase of bills during the morning.

Before lunch the authorities bought £1m bank bills in band 1 at 12⅞ per cent; £197m bank bills in band 2 at 12⅞ per cent; £38m bank bills in band 3 at 12¾ per cent; and £100m bank bills in band 4 at 12 11/16-12⅝ per cent.

There was no further intervention in the afternoon.

The main factors influencing the market were: bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills draining £268m, with the unwinding of repurchase agreements absorbing £59m; and bank balances below target another £145m. These outweighed Exchequer transactions adding £150m to liquidity, and a fall in the note circulation of £50m.

UK clearing banks base lending rate 12½ per cent since January 9

MONEY RATES

Feb. 4	Over-night	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.50-4.55	4.55-4.60	4.55-4.65	4.55-4.65	4.60-4.65	5.5
Paris	8⅞	8⅞	—	8⅞-9	8⅞	8⅛
Zurich	3⅞	4⅛	—	4⅛-4⅛	4⅛	—
Amsterdam	5⅛	5⅞	—	5⅞	5⅞	—
Tokyo	6.84375	6.03125	—	6.09375	—	—
Milan	15½	15½-16⅞	—	15⅞-15⅞	—	—
Brussels	8.99	9⅛	—	9⅛	—	—
Dublin	—	—	—	—	—	—

NEW YORK RATES

(Lunchtime)

Prime rate	9½
Broker loan rate	9¼
Fed funds	7⅞
Fed funds at intervention	—
Treasury Bills & Bonds	
One month	6.74
Two month	7.03
Three month	7.13
Six month	7.20
One year	7.32
Two year	8.12
Three year	8.36
Four year	8.87
Five year	8.41
Seven year	8.74
10 year	8.63
30 year	9.22

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb. 4)

Three months U.S. dollars		Six months U.S. dollars	
bid 7 15/16	offer 8 1/16	bid 7 15/16	offer 8 1/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust

LONDON MONEY RATES

Feb. 4	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	5-13	12-12⅝	12¾-13 1/16	12 13/16-13 1/16	12¾-13 3/32	12¾-13 3/16
Sterling CDs	—	—	12 11/16-12 13/16	12¾-13	12¾-12⅞	12 11/16-13 1/16
Local Authority Deps	12⅛-12⅝	12⅛-12⅝	12¾	12⅞	12⅞	12¾
Local Author'y Bonds	—	—	13¼	13¼	13¼	13¼
Discount Mkt Deps	6-10½	11¾	12⅛	12⅛	—	—
Company Deps	12⅛-12⅜	12-12⅜	12 13/16	13⅛	—	—
Finance House Deps	—	—	12⅞	1 5⅛	13⅛	12⅞
Treasury Bills (Buy)	—	—	12½	12⅜	—	—
Bank Bills (Buy)	—	—	12⅞	12 13/16-12⅝	12¼-12⅜	—
Fine Trade Bills (Buy)	—	—	15 1/16	13	12⅞	—
Dollar CDs	—	—	7.8-7.85	7.8 7.85	7.8 7.85	8.0-8.05
SDR Linked Deps	—	—	8⅛-8⅜	8 3/16-8 5/16	8⅛-8⅝	8 3/16-8⅜
ECU Linked Deps	—	—	9⅞-10⅛	10⅛-10⅜	9⅝-9⅞	9¼-9½

Treasury Bills (sell): one-month 12¾ per cent; three-months 12¾ per cent. Bank Bills (sell): one-month 12¾ per cent; three-months 12 13/16-12¾ per cent. Treasury Bills: Average tender rate of discount 12.0967 per cent. ECGD Fixed Finance Scheme IV reference rate January 8 to February 3 (inclusive): 13.077 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12½ per cent from February 1 1986. Bank Deposit Rates for sums at seven days' notice [illegible]. Tax Deposits (Series 6). Deposits £100,000 and over held under one month 12 per cent; one-three months 12¾ per cent; three-six months 12¾ per cent; six-nine months 12¾ per cent; nine-12 months 12¾ per cent. Under £100,000 11¾ per cent from January 14. Deposits held under Series 5 11¾ per cent. Deposits withdrawn for cash 7¾ per cent.

Company Notices

London & Scottish banks' balances

as at January 15 1986

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. They are prepared by the committee of London and Scottish bankers and cover the business of their offices and their subsidiaries which are listed by the Bank of England as falling within the monetary sector.

TABLE 1.

AGGREGATE BALANCES	Total outstanding £m	£m	Change on month £m	£m
LIABILITIES				
Sterling deposits:				
UK monetary sector	23,024		−1,337	
UK private sector	79,668		+462	
UK public sector	2,065		+346	
Overseas residents	13,257		+724	
Certificates of deposit	5,899		−42	
		123,923		+153
of which: Sight		47,845		−1,357
Time (inc. CD's)		76,078		+1,510
Foreign currency deposits:				
UK monetary sector	14,826		−2,229	
Other UK residents	6,025		+22	
Overseas residents	47,247		−491	
Certificates of deposit	6,101		−109	
		74,200		−2,807
Total deposits		198,123		−2,654
Notes in circulation		876		39
Other liabilities*		32,814		−131
TOTAL LIABILITIES		231,814		−2,824
ASSETS				
Sterling				
Cash and balances with Bank of England:				
Cash ratio deposits	435		—	
Other balances	2,183		+69	
		2,618		+69
Market loans:				
Discount houses	3,902		−380	
Other UK monetary sector	29,366		−757	
UK monetary sector CD's	3,480		−280	
Local authorities	793		+7	
Other	2,504		+213	
		31,446		−636
Bills:				
Treasury bills	106		−12	
Other bills	1,942		−555	
		2,048		−567
Investments:				
British Government stocks	3,765		+23	
Other	3,336		+80	
		7,101		−57
Advances:				
UK private sector	84,430		+1,459	
UK public sector	28		−12	
Overseas residents	4,970		−672	
		89,688		+776
Other sterling assets*		12,771		+372
Foreign currencies				
Market loans:				
UK monetary sector	17,065		−2,680	
Certificates of deposit	369		−146	
Other	33,631		−18	
		51,264		−2,844
Bills		247		−36
Advances:				
UK private sector	7,126		+131	
UK public sector	987		−17	
Overseas residents	18,644		−353	
		26,757		−240
Other foreign currency assets*		7,873		+139
TOTAL ASSETS		231,814		−2,824
Acceptances		5,019		−106
Eligible liabilities		92,396		+447

* Includes items in suspense and in transit.

TABLE 2. INDIVIDUAL GROUP BALANCES

	CLSB groups £m	Bank of Scotland £m	Barclays £m	Lloyds £m	Midland £m	National Westminster £m	Royal Bank of Scotland £m	Standard Chartered £m
LIABILITIES OUTSTANDING								
Sterling deposits	123,923	5,158	29,282	21,574	20,556	36,842	7,584	2,926
Change on month	+153	+66	+159	−957	+241	+474	−38	+209
Foreign currency deposits	74,200	1,262	13,847	10,626	15,369	21,328	3,187	8,580
Change on month	−2,807	+53	−240	−2,461	+32	−267	−68	+144
Total deposits	198,123	6,421	43,129	32,201	35,925	58,170	10,771	11,506
Change on month	−2,654	+118	−81	−3,418	+273	+207	−106	+353
STERLING ASSETS OUTSTANDING								
Cash and balances with the Bank of England	2,618	307	518	268	546	520	445	14
Change on month	+69	−17	+46	+12	+51	−26	+7	−4
Market loans—UK monetary sector	24,668	624	5,282	3,621	3,295	9,813	1,070	962
Change on month	−1,137	−3	−54	−1,002	+76	−345	+58	+134
Other	6,778	118	1,316	1,168	1,113	2,551	270	242
Change on month	+500	−23	+74	+39	+63	+303	+1	+44
Bills	2,048	107	584	740	138	224	222	34
Change on month	−567	+17	−382	−191	−35	−22	+40	+6
British Government stocks	3,765	291	756	713	771	832	234	168
Change on month	+23	−18	+1	+20	+76	+1	−5	−52
Advances	89,688	4,323	22,849	15,465	15,081	23,790	6,146	2,033
Change on month	+776	+37	+159	+23	+192	+390	−93	+69
FOREIGN CURRENCY ASSETS OUTSTANDING								
Market loans and bills	51,512	574	9,876	8,050	7,908	16,696	2,062	6,345
Change on month	−2,880	+92	−63	−2,234	−278	−483	−68	+154
Advances	26,757	933	4,018	3,799	6,655	6,507	1,425	3,419
Change on month	−240	−25	−25	+16	−78	−99	−36	+8
ACCEPTANCES OUTSTANDING	5,019	264	975	498	1,204	1,118	488	472
Change on month	−106	+4	−3	+6	−117	−58	+30	+33
ELIGIBLE LIABILITIES OUTSTANDING	92,396	4,409	22,441	16,614	15,961	24,934	6,224	1,823
Change on month	+447	+87	−31	−108	+129	+395	−76	+52

LONDON SHARE SERVICE

BRITISH FUNDS

1985/86 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99[illegible]	96¼	Treas. 10pcCnv 1986	99[illegible]	.....	10.05	12.71
97¾	92¾	Treas 3pc 1986	97¾	.....	3.07	11.40
100	97½	Exch. 10½pc 1986	99[illegible]	+[illegible]	10.57	12.66
101[illegible]	99¾	Treas 12pc 1986	99[illegible]	+[illegible]	12.05	12.94
98[illegible]	94¼	Treas 8¾pc 1984-86‡‡	98[illegible]	+[illegible]	8.62	11.91
105[illegible]	100½	Exch. 14pc 1986	100[illegible]	+[illegible]	13.8[illegible]	12.65
95[illegible]	87¾	Exch. 2½pc 1986	95[illegible]	+[illegible]	[illegible]	8.81
104[illegible]	100¼	Exch. 13¾pc 1987	100[illegible]	+[illegible]	[illegible]	12.37
99[illegible]	96¾	Treas 10¼pcCv '87	98[illegible] xd	+[illegible]	[illegible]	12.36
93[illegible]	85½	Exch 2½pc 1987	93[illegible] xd	+[illegible]	[illegible]	9.61
100[illegible]	96¼	Exch. 10½pc 1987	97[illegible]	−[illegible]	10.[illegible]	12.46
95[illegible]	89	Funding 6½pc '85-87‡‡	94[illegible]	+[illegible]	[illegible]	11.38
99[illegible]	95½	Treas. 10pc 1987	97[illegible]	+[illegible]	[illegible]	12.18
92[illegible]	84¼	Treas 3pc 1987	91[illegible]	+[illegible]	[illegible]	9.68
102[illegible]	98[illegible]	Treas. 12pc 1987	99[illegible]	+[illegible]	[illegible]	12.07
95[illegible]	90¼	Treas 7¾pc 1985-88‡‡	93[illegible]	+[illegible]	[illegible]	11.52
100[illegible]	95[illegible]	Exch 10½pc '88	97[illegible]	+[illegible]	[illegible]	11.78
98[illegible]	93[illegible]	Treas 9½pc Cv '88	95[illegible]	+[illegible]	[illegible]	11.78
87¾	80	Transport 3pc '78-88	87	+[illegible]	[illegible]	9.15
97¾	91½	Treas. 9½pc '88	94[illegible]	+[illegible]	[illegible]	11.84
102[illegible]	97[illegible]	Treas 11½pc 1989	99[illegible] xd	+[illegible]	11.5[illegible]	11.74
97[illegible]	90¼	Treas 9½pc Cnv. '89	94[illegible]	+[illegible]	10.09	11.74
84[illegible]	79	Treas 3pc 1989	83[illegible]	+[illegible]	3.60	9.02
99[illegible]	94	Treas 10½pc 1989	96[illegible]	+[illegible]	10.85	11.66
98[illegible]	92	Exch.10pc 1989	95[illegible]	+[illegible]	10.51	11.75
101[illegible]	95	Exch 11pc 1989	97[illegible]	+[illegible]	11.29	11.71
86¼	79	Treas 5pc 1986-89	85	+[illegible]	5.88	9.95
99	93	Exch 10¼pcCv '89	96¼	+[illegible]	10.66	11.52
108[illegible]	103¼	Treas 13pc 1990‡‡	104[illegible]	+[illegible]	12.46	11.57
101[illegible]	96[illegible]	Exch 11pc 1990‡‡	98[illegible] xd	+[illegible]	11.20	11.58
108¼	100¾	Exch. 12½pc 1990	102¾	+[illegible]	12.17	11.63
81[illegible]	75¼	Treas. 3pc 1990	80¼	+[illegible]	3.74	8.65
93[illegible]	87¾	Treas 8¼pc 1987-90‡‡	90	+[illegible]	9.17	11.20

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

هكذا اصل الأصل

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

PROPERTY

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ● Figures or report awaited.
- ♥ Not officially UK listed, dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ¶ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ● Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¶ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ## Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

IRISH

Fund 12¼% 1988	£97¼		Heiton Hldgs.	26	+1
Nat. 9¾% 84/89	£95		Irish Ropes	49	
			Unidare	130	

"Recent Issues" and "Rights" Page 34
(International Edition Page 36)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

MARKET REPORT

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
Jan 27	Feb 6	Feb 7	Feb 17
Feb 10	Feb 20	Feb 21	Mar 3
Feb 24	Mar 6	Mar 7	Mar 17

* "New-time" dealings may take place from 8.30 am two business days earlier.

Late burst of optimism takes index to all-time high of 1163.9

The announcement of surprisingly good banking statistics midway through the afternoon session restored confidence in London markets yesterday. Shortly after the 2.30 pm news of a January increase of only £0.4bn in bank lending and of a rise—compared with a widely expected fall—in UK official reserves, markets began to buzz with excitement.

Leading stocks took on a euphoric note and the FT Ordinary share index advanced quickly; it recovered an earlier loss and went on to close 8.6 up on the day at a record 1,163.9. Government bonds also encountered a flurry of buying and longer-dated issues regained falls ranging to ½ or so to end with gains stretching to ½. Sterling likewise rallied from its low point after the money stock figures. Earlier in the day the story had been very different.

A continuation of the fall in crude oil prices had put the exchange rate down against other leading currencies. Money market rates had risen to around 13¼ per cent and fears of higher bank base rates were increasing. Reports that the Opec meeting in Vienna had concluded with a recommendation to raise the current Opec production ceiling made matters worse. Wall Street's continued buoyancy overnight on expectations of lower interest rates was disregarded in uncertain markets.

Blue chips and international stocks led the late change with investors concentrating on consumer-related issues. The Stores sector, which had traded on a subdued note for much of the session, was particularly busy late. Although prices generally closed a touch below the best, the FT-SE share index closed 6.5 higher at 1,431.6, after having been down to 1,421.5.

Gilt-edged securities quietened considerably in the after-hours' trade but the firmer trend was maintained. Partly-paid Treasury 10 per cent 2003 settled a net $\frac{1}{16}$ higer at 34¾, after 34¾. A large part of the late business represented bear-covering, but brokers also reported a revival in genuine investment interest. Index-linked stocks moved against the trend of conventional Gilts but the resulting losses were small.

Clearing banks rallied after Monday's weakness on Latin American debt worries. Static throuhout the morning session, prices moved higher after publication at 2.30 pm of the latest banking statistics. Lloyds, at 452p, retrieved all but a penny of Monday's 10 fall, while Barclays recovered 7 at 450p. Midland improved 5 at 430p as did NatWest, at 688p. Among merchant banks, Hambros firmed 3 afresh to 220p awaiting further developments following Hambro Trust's decision to sell its substantial stake in the group; HT added 4 at 247p. Mercury Securities, on the other hand, lost 10 at 715p.

Insurances passed a quiet session. Lloyds Brokers came on offer in places with PWS International notable for a decline of 15 at 275p, while Heward retreated 6 at 282p and Willis Faber gave up 9 at 453p. Among Composites, Commercial Union improved a few pence to 244p as did Royals to 788p. Elsewhere, Abbey Life hardened a couple of pence to 210p in the wake of an investment seminar withb rokers Rowe and Pitman.

Leading Breweries made modest progress during the afternoon with Bass closing 10 to the good at 660p. Regionals, however, generally gave ground with the exception of Vaux which advanced to 375p before settling a net 7 dearer at 370p following bullish reports emanating from the annual brokers seminar.

Dull initially, leading Buildings staged a useful recovery as interest rate pressures eased and closed firmer for choice. Blue Circle finished 5 dearer at 538p having been down to 530p at the outset, while BMC picked up from an initial 488p to close a couple of pence better on balance at 492p. Redland remained a firm market on the Texas development deal and added 8 more to 381p, while BPB Industries improved the same amount to 358p. Rugby Portland Cement dipped to 149p in the absence of any bid developments before renewed support left the close only 2 cheaper on balance at 152p. Among secondary issues, Pochins continued to reflect an investment recommendation and rose 10 afresh to 360p, while USM-quoted Access Satellite were a firm market ahead of next Monday's half-timer and gained 13 to 138p. Howard Shuttering shed 2 to 33p following the disappointing interim results.

ICI continued to attract American buying interest and rose 7 more to 834p. Hickson International improved late and gained 5 to 392p, but the unwinding of speculative positions left recent high-flyer British Benzol 3½ cheaper at 66p.

Stores improve

A shade easier for choice throughout the morning, leading Stores took heart from the banking statistics and finished with useful gains across the board. Burton rallied 6 to 543p, while similar rises were noted for Storehouse, 305p, and Woolworth, 463p. Marks and Spencer, 175p, and Gussies A, 754p, put on 4 and 9 respectively. Dixons rose 12 to 977p ahead of the imminent 3-for-1 share split. Secondary Stores were generally overshadowed, although revived speculative demand lifted Allebone 4 more to 53p and Next 6 to 218p. Prontaprint improved 8 to 143p following the licensing agreement with Zippy Print of Canada.

Leading Electricals closed slightly firmer for choice after a fairly uneventful session. GEC improved a couple of pence at 174p and Thorn EMI put on 3 at 392p. Elsewhere, Unitech recovered from an initial dull level of 222p to finish a net 5 dearer on balance at 228p following the interim results and Memory Computer hardened a penny to 12p on news of the deal with Motorola. Micro Focus reflected recovery hopes with a rise of 15 at 185p and Miles 33 ended a similar amount better at 285p. Forward Technology firmed 3 to 32p and CAP added 6 at 201p. Micro Business Systems, after a brief early suspension, dropped to 72p before closing 4 lower on the day at 78p after details of the proposed rights issue and reorganisation. Acorn Computer succumbed to persistent offerings and plummeted to 58p at one stage before rallying to finish 10 down on balance at 66p. Cray Electronic gave up 10 to 280p as did the new nil-paid shares to 40p.

Vickers were noteworthy for a gain of 10 to 328p partly reflecting currency influences. Elsewhere in Engineerings, Thomas Robinson reacted 7 to 188p, with Widkin falling 10 to 180p in sympathy, but comment on the preliminary results prompted fresh buying of Bullough which advanced to 285p before closing 17 higher at 250p, for a two-day gain of 37. Westland, in contrast, fell 12 to 13p on the warning of a possible stalemate in the rescue plans for the company. Downibrae advanced 6 to 48p on a bout of speculative buying; it was announced later that G. M. Firth has a 10.5 per cent stake in the company. Speculative activity was also seen in Frederick Cooper, 3 dearer at 50p. Demand continued for Baker Perkins, 7 better at 241p, while interest revived in Desoutter, 5 to the good at 198p. Newman-Tonks closed a couple of pence firmer at 13p, after 135p, following the preliminary results and rejection of McKechnie's bid.

The Food sector displayed a firm feature in Rowntree Mackintosh which gained 18 to 428p on buying thought to have emanated from Switzerland. By contrast Cadbury Schweppes encountered US selling in the absence of any takeover development and shed 3 to 162p. Hillsdown attracted occasional support and firmed 5 to 193p while Bassett revived with a gain of 3 at 153p.

Leading Hotels gave a steadier performance. Grand Metropolitan, at 386p, regained most of the previous day's fall of 8, while Trusthouse Forte hardened a couple of pence to 150p and Ladbroke improved 3 to 320p. Elsewhere, Prince of Wales attracted fresh support and aded 3 more to 75p. Breakmate touched 215p prior to closing 10 higher at 210p following the agreed 220p per share cash offer from Sketchley, also 10 up at 40p.

Reed Int. up

Inclined easier initially, leading miscellaneous industrials finished the day on a firm note. Reed International attracted late demand and moved ahead to close 19 higher at 689p, while Glaxo put on 15 more to 883p. Metal Box rose 10 to 625p and gains of around 5 were recorded in BOC, 303p, 405p, and Boots, 241p. Beecham, sold down to 355p at one stage, rallied to close 4 off on balance at 361p. Elsewhere, Extel, the subject of an unwelcome bid from the Demerger Corporation, eased to 385p, before renewed buying took the price up to a close of 395p, for a rise of 9 on the day. Pentland Industries, still reflecting the Reebok results, improved 5 more to 340p, while Rockware Group gained 3 to 38p on the 2-year pension holiday. Renewed speculative demand left Hestair up 5 more at 116p. Alexander Workwear, 260p, and Clement Clarke, gained 10 apiece, while buyers continued to show interest in Grampian which put on 8 further to 188p. Prestwich, in contrast, met with profit-taking and gave up 6 to 128p.

Leisuretime International, 8 higher at 85p on revived speculative buying, provided an isolated firm spot in the Leisure sector.

BL again provided one of the session's outstanding movements, rising 29 for a two-day advance of 38 to 71p as investors took an encouraging view of the approaches from General Motors and Ford of Europe. Jaguar were also lively following an active trade in the US overnight, opening firmer at 431p before settling a net 15 up at 427p. Distributors attracted a fair measure of attention, particularly British Car Auction, 5 up at 113p, and Lex Service, 16 to the good at 291p; the latter reflected talk of a broker's circular in the offing. Frank G. Gates responded to fresh takeover speculation and touched 79p before settling 8 dearer on balance at 76p.

Modest falls among the Property leaders were generally erased following the Money supply figures. Elsewhere, House Property Company of London attracted support following Press comment and rose 15 to 345p, while London and Edinburgh moved up 10 to 520p.

Imps staged a good recovery in Tobaccos, rising 10 to 250p amid hopes that Hanson Trust's bid would not be referred to the Monopolies Commission. Bats hardened a couple of pence to 348p.

BP down again

The latest weakness in North Sea oil prices following the Opec meeting in Vienna prompted renewed fears of increased Opec oil production and a full-blown oil price war and left the oil sector with widespread losses. The leaders bore the brunt of the selling pressure, especially BP which dipped a further 12 to 556p—a two-day fall of 21. Shell ended the day 4 down at 663p while LASMO remained a depressed market and settled 10 off at a year's low of 170p. Britoil and Tricentrol lost 5 apiece to 190p and 138p respectively, while Enterprise eased 3 to 133p. Little interest was shown in the second-line issues which drifted on lack of interest.

Inchcape continued to highlight Overseas Traders, rising 23 for a two-day advance of 36 to 376p amid suggestions that Lonrho, a couple of pence cheaper at 234p, is poised to launch a defensive bid for the company; Lonrho was later understood to have denied any intentions in Inchcape's direction. Paterson Zochonis attracted revived demand and advanced 11 more to 223p. In sharp contrast, Polly Peck dipped to a 1985-86 low of 130p before settling 20 lower on balance at 138p reflecting the unwinding of substantial option positions and talk of a chart "sell" signal; the 9 per cent Convertible dipped 9 points to £80.

Golds lower

Renewed downward pressure on the bullion price made for an uncomfortable session for mining markets. The metal price showed a fall of more than $10 an ounce at one point before rallying to close a net $8.875 lower at $338.625—a decline of $19.125 over the past three trading days.

South African Golds opened with widespread, although generally modest losses, and gradually drifted easier on lack of interest. Selling pressure built up towards the close of the Johannesburg market and the opening of Wall Street, but quickly petered out when the bullion price began to edge higher.

Vaal Reefs proved vulnerable among the leading South African issues and dipped £1½ to £57¼, but the majority of the heavyweights showed falls in the region of ¼ to ½. Among the cheaper priced stocks, Elandsrand retreated 25 to 544p, Stilfontein gave up 31 to 494p and Loraine lost 12 to 388p. The Gold Mines index settled 6.7 off at 338.2.

Financials and Platinums also gave ground. In the former sector New Wits fell 50 to 500p and "Amgold" eased ½ to £53¼, while Platinums showed Impala 20 off at 660p and Rustenburg 15 easier at 655p. The latest performance by the gold price prompted persistent small selling of Consolidated Gold Fields, 10 down at 475p. Rio Tinto-Zinc drifted back to close 5 off at 565p.

Cobra Emerald were an isolated firm spot and jumped 8 to 87p in response to US buying interest.

The partial bid for Broken Hill Proprietary from Bell Resources directed attention in Australian markets away from the mining sector which consequently lost ground. Sentiment was also disturbed by the further retreat by precious metal prices. Golds were a depressed market with Central Norseman and Gold Mines of Kalgoorlie down around 25 apiece at 353p and 445p respectively. Poseidon gave up 10 to 140p, Sons of Gwalia a like amount to 172p, and North Kalgurli 4 to 43p.

Traded Options

Activity in Traded Options centred on the same three classes as on Monday. Imperial Group were particularly lively amid thoughts that both the Hanson Trust and United Biscuits situations would escape a reference to the Monopolies Commission, and recorded 2,143 calls and 900 puts. Jaguar, again in receipt of substantial US demand, recorded 1,323 calls and 344 puts, while Lonrho attracted 1,100 calls, the February's 220's and May 220's contributing 367 and 400 trades respectively. Elsewhere, fresh enthusiasm was noted for the long gilt option contract—Treasury 11¾ 03/07—which recorded 515 calls, 226 of which were done in the May 108's. Total contracts struck amounted to 15,318.

Stocks favoured for the call included Audiotronic, Dunton, Commercial Union, Polly Peck, Armour Trust, Amstrad, STC, Vaal Reefs, BL, Pavion, Southwest Resources, Atlantic Resources, Sound Diffusion, Arlen, Gestetner, Kalamazoo, NSS Newsagents and Norfolk Capital. A put was done in [illegible] Groot, while a double option was transacted in Hongkong and Shanghai Banking.

FINANCIAL TIMES STOCK INDICES

	Feb. 4	Feb. 3	Jan. 31	Jan. 30	Jan. 29	Jan. 28	year ago
Government Secs	81.15	80.89	†81.34	81.23	81.11	81.15	79.56
Fixed Interest	86.82	87.17	87.24	87.15	87.14	87.15	83.60
Ordinary ♥	1163.9	1155.6	1161.0	1156.4	1160.0	1135.4	982.4
Gold Mines	338.2	344.9	341.3	342.2	337.2	347.7	474.3
Ord. Div. Yield	4.44	4.46	4.45	4.46	4.48	4.46	4.39
Earnings, Yld. %(full)	10.79	10.86	10.82	10.85	10.89	10.86	10.27
P/E Ratio (net) (*)	11.54	11.46	11.51	11.47	11.43	11.47	10.93
Total bargains (Est.)	25,919	25,099	28,003	25,264	29,194	27,048	24,606
Equity turnover £m.	—	439.72	323.72	335.52	632.15	516.09	379.94
Equity bargains	—	25,182	23,861	23,765	25,795	26,310	20,980
Shares traded (ml)	—	222.2	248.0	266.8	289.9	290.4	190.9

♥ 10 am 1151.4. 11 am 1153.1. Noon 1156.1. 1 pm 1155.4. 2 pm 1154.5. 3 pm 1160.6. 4 pm 1164.1. Day's High 1164.7. Day's Low 1150.7. Basis 100 Government Securities 15/10/26. Fixed interest 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974. Latest Index 01-246 8026. *Nil=11.10.

† Corrected.

HIGHS AND LOWS / **S.E. ACTIVITIES**

—	1985/86 High	1985/86 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	84.57 (18/10/85)	78.02 (28/1/85)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	90.98 (28/10/85)	82.17 (28/1/85)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1163.9 (4/2/86)	911.0 (26/7/85)	1163.9 (4/2/86)	49.4 (26/6/40)
Gold Mines	556.9 (15/4/85)	217.5 (5/11/85)	734.7 (15/2/83)	43.5 (26/10/71)

INDICES	Feb. 3	Jan. 31
Daily		
Gilt Edged Bargains	134.9	115.4
Equities Bargains	163.2	154.7
Equities Value	888.9	1058.5
5 day Average		
Gilt Edged Bargains	133.5	132.4
Equities Bargains	151.6	158.8
Equities Value	1110.6	1202.6

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Tues Feb 4 1986

Figures in parentheses show number of stocks per section

	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Mon Feb 3	Fri Jan 31	Thurs Jan 30	Year ago (approx.)
1 CAPITAL GOODS (213)	601.92	+0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (481)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (119)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (739)	694.83	+0.3	—	4.27	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE 100 SHARE INDEX	1431.6	+6.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

[illegible]

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

[illegible]

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 53,439

A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. [illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	32	9	9
Corpns, Dom. & Foreign Bonds	6	30	52
Industrials	329	313	874
Financial & Props.	128	108	325
Oils	23	46	71
Plantations	0	6	16
Mines	0	31	85
Others	111	40	58
Totals	674	537	1,511

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Feb 3	Feb 14	May 8	May 19
Feb 17	Feb 28	May 29	June 9
Mar 3	Mar 14	June 12	June 23

For rate indications see end of Unit Trust Service

NEW HIGHS AND LOWS FOR 1985/86

NEW HIGHS (101)

[illegible]

NEW LOWS (21)

[illegible]

LONDON TRADED OPTIONS

[illegible]

February 4 Total contracts 15,318 Calls 11,557 Puts 3,741 *Underlying security price

هكذا من الأصل

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Schillings.

CANADA

TORONTO

Prices at 2.30pm February 4

[illegible]

F- No voting rights or restricted voting rights

MONTREAL

Closing prices February 3

[illegible]

Total Sales 4,466,913 shares

Indices

NEW YORK DOW JONES

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

RISES AND FALLS

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

TORONTO

[illegible]

** Saturday February 1: Japan Nikkei 13,043.61. TSE 1,044.33.

[illegible]

NORTH AMERICAN QUARTERLY RESULTS

[illegible]

† Loss include $22m write-off of Libyan operations

†Loss

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 39

[illegible]

LONDON

Chief price changes (in pence unless otherwise indicated)

RISES		
Tr 10% Cnv. 90	£94¾	+ ⅜
Tr 10% 2003	£35¾	+ 7/16
BL	71	+29
Breakmate	210	+10
Cobra Emerald	87	+ 8
Extel	395	+ 9
Gates (Frank G)	76	+ 8
Glaxo	883	+15
Grand Met	386	+ 8
ICI	834	+ 7
Imperial Gr	250	+10
Inchcape	376	+23
Jaguar	427	+15
Lex Service	291	+16
Prontaprint	143	+ 6
Reed Intl.	689	+19
Rowntree Mack	428	+18
Vickers	328	+10

FALLS		
Acorn Comp	66	−10
BP	556	−12
Cray Elect.*	40pm	−10
LASMO	170	−10
Micro Bus. Sys	78	− 4
Polly Peck Intl.	138	−20
Wadkin	180	−10
Westland	113	−12

* Nil-paid

WORLD STOCK MARKETS

CHECK EVERY DAY IN THE FT

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28	18	AAR	.60	2.0	17	382	27¾	27⅛	27⅝	+¼
24⅝	10¼	AGS			18	47	25	22¾	22¾	
50¾	35¾	AMR			8	6796	49¾	48	48¼	−⅛
24¾	18⅝	AMR pf2.18		9.9		5	24⅛	24⅛	24⅛	−¼
22	19	ANR pf2.12		10		1	20¾	20¾	20¾	
11⅝	7⅝	APL			5	32	10½	10½	10½	
18¾	10⅝	ARX			13	62	14	13⅞	14	+¼
55⅝	32¾	ASA	2a	5.4		1339	37⅝	36¾	37	−1½
28½	10½	AVX		2.3		1253	14½	13⅞	13⅞	−½
28⅛	20⅝	AZP	2.72	10	7	1309	27	26½	26¾	
72	46	AbtLab1.40		2.9	18	1477	69⅝	68¼	68¾	−½
29¼	19⅝	AccoWd.30		1.9	80	25	29	28½	28½	−⅝
24¾	10	AcmeC .40		5.1	19	28	13⅝	12¾	12¾	−½
10½	7	AcmeE .325		3.7	19	x5	8½	8¾	8¾	+⅛
18¾	16⅛	AdaEx 1.90e		11		160	18½	17¾	17¾	−¼
22¾	14	AdmMl .40		1.9	9	35	21⅜	21	21¼	+½
18⅝	8¾	AdvSys1.36t		7.9	15	239	17½	17⅛	17⅛	−⅝
36⅛	22⅞	AMD				4830	28⅝	27½	27¾	+⅝
12⅝	10⅝	Adobe n				237	11½	11¼	11¼	−¼
18⅝	14⅝	Adob pf1.84		11		18	16⅞	16⅝	16⅞	
18½	15¼	Adob pf2.40		14		30	18⅛	17¾	17¾	−¼
15⅛	8⅝	Advest .12a		.9	13	520	14¾	14	14¼	−⅜
57½	35⅛	AetnLf 2.64		4.7	19	7324	57½	55⅝	56¼	−⅛
57½	52½	AetL pf5.19e		9.8		68	64⅛	64⅛	64⅛	−⅛
59⅝	27¼	Ahmns 1.20		2.0	9	3867	u60¾	59½	59¾	+1⅛
4⅜	2½	Aileen			206	169	4¼	4⅛	4⅛	
72½	46⅞	AirPrd 1.48		2.2	14	890	71⅞	68¾	68¾	−1¾
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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هكذا أصل الأصل

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close

Continued from Page 38

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
29¾	15⅝	PerkPa	.52	1.9		794	27⅞	26¾	27½	−⅜
5	3¼	PetPtr s			10	58	3⅝	3½	3½	
15¾	11½	PayNP	.64	4.9	16	320	13¼	12⅞	13	+⅛
23⅜	13½	PayCsh	.16	.9	20	2437	18⅛	17⅜	17¾	−⅛
1⅛	¼	Pengo				84	15-32	7-16	7-16	
58⅜	45	PenCen			19	951	54⅛	53⅝	53¾	−⅝
59¾	45⅜	Penney	2.36	4.0	11	1249	u60	58⅝	58⅞	−⅛
29⅞	23½	PaPL	2.56	8.9	11	506	29¼	28⅞	28⅞	
42	34	PaPL	pf4.40	11.		z2720	41⅞	41⅝	41⅝	+1½
41½	33½	PaPL	pf4.50	11.		z120	41	41	41	−½
28¼	25⅜	PaPL	dpr3.42	12.		31	28¼	28⅛	28¼	
26	23½	PaPL	dpr2.90	10.		3	26	26	26	+⅛
77½	62¼	PaPL	pr8.40	11.		z240	77½	76	76	+¼
29½	24⅜	PaPL	dpr3.25	11.		2	28⅞	28⅞	28⅞	+⅛
31¼	28	PaPL	dpr3.75	12.		11	30¼	30¼	30¼	−⅛
101	80½	PaPL	pf9.24	9.2		z1120	100½	100½	100½	+½
109	100	PaPL	pr 13	12.		z90	106½	106½	106½	−⅛
72½	60	PaPL	pr 8	11.		z140	71	71	71	
36	66	PaPL	pr8.70	11.		z20	78	78	78	−1
44½	34	Pennalt	2.20	5.1		475	43⅛	42⅝	42⅞	−⅛
26⅝	21⅝	Peow	pf1.60	6.2		15	26	25¾	25¾	−¾
91	36½	Pennzol	2.20	3.4	28	1965	66	63¼	63⅞	−2
20⅝	14⅝	PeopEn	1.20	6.0	8	424	20	19¾	19⅞	+⅛
28½	17⅝	PepBy s	.20	.7	32	559	27¼	27	27⅜	−⅜
75⅜	42¼	PepsiCo	1.78	2.4	13	2436	73¼	71⅞	72¾	+⅞
34⅝	22⅜	PerkE	.60	1.8	19	1460	33¼	32¼	32⅝	+⅜
9½	6⅝	Prmian	1.04e	16.	0	2398	6⅞	6⅝	6⅝	−¼
18¾	11⅛	PeryD s	.22	1.3	17	91	16½	16⅜	16⅜	+¼

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
95	57½	Wrigly	1.80a	1.9	15	51	94¼	92	93½	+2
15⅞	10⅝	WyleLb	.32	2.2	63	241	14½	14¼	14⅜	
23⅜	15	Wynns	.60	3.7	12	68	16⅜	16⅜	16⅜	+⅛
		X Y Z								
64⅞	42	Xerox	3	4.7	14	3467	u65¼	63¼	63½	−1
56¾	49	Xerox	pf5.45	9.7		30	56⅛	56	56¼	+¼
34¼	25	ZaleCp	1.32	4.0	13	160	33¼	32⅝	32¾	+¼
28½	20½	ZalepfA	.80	3.1		9	26	26	26	−⅛
17	5½	Zapata	.12	2.5	38	583	5⅛	d	5⅛	5⅛
65⅝	39¾	Zayre s	.40	.6	19	821	63¼	62⅜	62⅜	−⅜
25	16¼	ZenithE			231	1371	18⅞	18⅝	18⅝	−⅛
23⅜	17¼	Zero s	.36	1.6	18	121	22¾	22¼	22¾	+⅜
42¾	26¾	Zurnin	1.32	3.2	15	79	41⅝	41	41¼	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, February 4

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng

OVER-THE-COUNTER

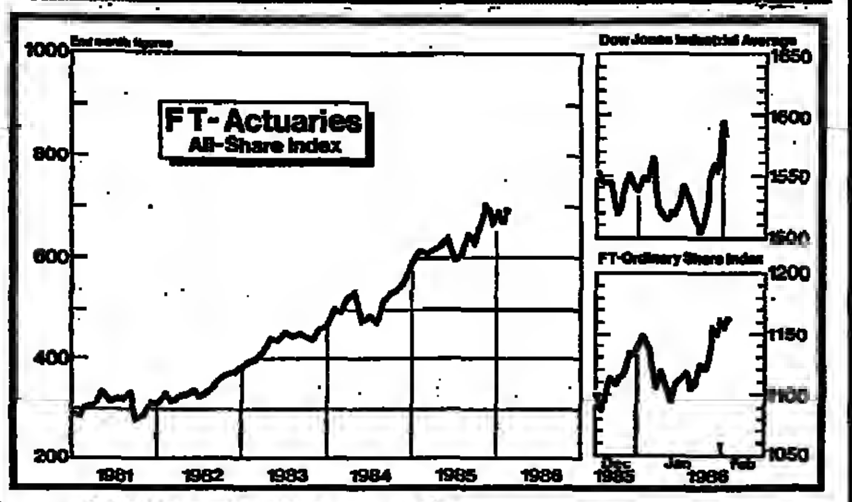
Nasdaq national market, 2.30pm prices

Stock	Sales (Hnds)	High	Low	Last	Chng

Continued on Page 37

FINANCIAL TIMES
WORLD STOCK MARKETS

KEY MARKET MONITORS



STOCK MARKET INDICES

	Feb 4	Previous	Year ago
NEW YORK			
DJ Industrials	1,585.55*	1,594.27	1,290.08
DJ Transport	750.95*	756.29	619.46
DJ Utilities	175.27*	178.14	149.57
S&P Composite	212.49*	213.96	180.35
LONDON			
FT Ord	1,163.9	1,155.3	982.4
FT-SE 100	1,431.6	1,425.1	1,268.2
FT-A All-share	694.83	692.74	617.87
FT-A 500	762.90	760.51	675.86
FT Gold mines	338.2	344.9	474.3
FT-A Long gilt	10.72	10.75	10.91
TOKYO			
Nikkei	13,138.09	13,086.47	11,891.1
Tokyo SE	1,047.80	1,048.00	920.50
AUSTRALIA			
All Ord.	1,075.6	1,072.9	786.8
Metals & Mins.	525.7	534.2	438.1
AUSTRIA			
Credit Aktien	119.06	119.44	61.33
BELGIUM			
Belgian SE	2,864.76	2,853.42	2,148.97
CANADA			
Toronto			
Metals & Mins	2,231.5*	2,267.2	2,161.0
Composite	2,798.6*	2,842.9	2,588.9
Montreal			
Portfolio	137.24*	139.51	131.11
DENMARK			
SE	n/a	223.22	173.50
FRANCE			
CAC Gen	280.4	284.8	195.1
Ind. Tendance	105.4	106.2	68.7
WEST GERMANY			
FAZ-Aktien	662.09	653.77	390.39
Commerzbank	1,991.0	1,986.9	1,139.2
HONG KONG			
Hang Seng	1,728.81	1,702.38	1,363.22
ITALY			
Banca Comm.	486.45	481.26	264.17
NETHERLANDS			
ANP-CBS Gen	258.7	254.9	195.2
ANP-CBS Ind	250.4	245.4	154.6
NORWAY			
Oslo SE	377.24	376.92	326.39
SINGAPORE			
Straits Times	617.61	614.15	828.19
SOUTH AFRICA			
JSE Golds	–	1,282.2	919.0
JSE Industrials	–	1,093.8	863.9
SPAIN			
Madrid SE	111.34	110.72	86.77
SWEDEN			
J & P	1,755.3	1,732.61	1,471.98
SWITZERLAND			
Swiss Bank Ind	584.1	576.6	408.8
WORLD	Feb 3	Prev	Year ago
MS Capital Int'l	261.3	259.7	195.9

CURRENCIES

(London)	US DOLLAR Feb 4	Previous	STERLING Feb 4	Previous
$	–	–	1.377	1.3865
DM	2.4145	2.4	3.325	3.3275
Yen	192.05	191.5	264.5	265.5
FFr	7.3975	7.3525	10.1875	10.195
SFr	2.043	2.0350	2.8125	2.8225
Guilder	2.726	2.711	3.7525	3.76
Lira	1,642.5	1,631.0	2,261.75	2,261.5
BFr	49.4	49.0	68.0	67.95
C$	1.4435	1.43255	1.9885	1.9849

COMMODITIES

(London)	Feb 4	Prev
Silver (spot fixing)	426.90p	434.50p
Copper (cash)	£1,011.00	£1,002.50
Coffee (May)	£2,247.50	£2,272.50
Oil (spot Arabian Light)	n/a	n/a

GOLD (per ounce)

	Feb 4	Prev
London	$338.625	$347.50
Zürich	$338.375	$347.55
Paris (fixing)	$340.68	$347.67
Luxembourg	$344.00	$347.60
New York (April)	$337.40	$347.40

INTEREST RATES

	Feb 4	Prev
Euro-currencies (3-month offered rate)		
£	n/a	13⅜
SFr	n/a	4⅝
DM	n/a	4½
FFr	n/a	15⅛
FT London Interbank fixing (offered rate)		
3-month US$	8⅛	8⅛
6-month US$	8⅛	8¼
US Fed Funds	7⅝*	8
US 3-month CDs	7.60*	7.65
US 3-month T-bills	6.97*	6.98

US BONDS

Treasury	Feb 4* Price	Yield	Prev Price	Yield
8⅞ 1988	100²¹⁄₃₂	7.933	100⅝	7.986
8¾ 1993	99⅝	8.754	99²⁹⁄₃₂	8.634
9⅞ 1995	103²⁹⁄₃₂	8.951	102²³⁄₃₂	9.032
9¾ 2015	106²⁹⁄₃₂	9.4	105⁷⁄₃₂	9.29

Treasury Index Maturity (years)	Feb 4* Return index	Day's change	Yield	Day's change
1–30	139.71	+0.47	8.59	−0.07
1–10	135.99	+0.23	8.34	−0.07
1– 3	130.32	+0.12	7.98	−0.05
3– 5	138.14	+0.36	8.45	−0.08
15–30	153.09	+0.96	9.48	−0.07

Source: Merrill Lynch

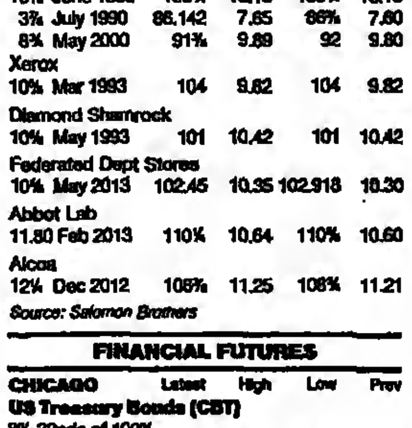
Corporate	Feb 4* Price	Yield	Prev Price	Yield
AT & T				
10⅜ June 1990	100⅝	10.15	100⅝	10.15
3⅞ July 1990	86.142	7.65	86⅞	7.60
8⅞ May 2000	91⅞	9.89	92	9.80
Xerox				
10⅞ Mar 1993	104	9.82	104	9.82
Diamond Shamrock				
10⅞ May 1993	101	10.42	101	10.42
Federated Dept Stores				
10⅞ May 2013	102.45	10.35	102.918	10.30
Abbot Lab				
11.80 Feb 2013	110⅝	10.64	110⅝	10.60
Alcoa				
12⅛ Dec 2012	106⅝	11.25	106⅞	11.21

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Mar	86–17	86–23	86–06	85–26
US Treasury Bills (IMM) $1m points of 100%				
Mar	93.24	93.28	93.22	93.20
Certificates of Deposit (IMM) $1m points of 100%				
Mar	92.47	92.47	92.47	92.47
LONDON				
Three-month Eurodollar $1m points of 100%				
Mar	92.16	92.19	92.14	92.10
20-year Notional Gilt £50,000 32nds of 100%				
Mar	108–23	108–26	107–01	107–17

* Latest available figures



WALL STREET

Momentum dissipates at barrier

THE WEEK-LONG surge in the US financial markets boiled over at mid-session yesterday, *writes Terry Byland in New York.*

Earlier, the Dow 1,600 level was pierced twice on strong buying pressure from private investors. However, with the major institutions on the sidelines as they digested their recent investments, the market lost momentum. With renewed falls in oil prices undermining bank and oil stocks, industrials also began to falter.

At 3pm the Dow Jones industrial average was down 8.72 at 1,585.55.

Except for the Dow transporation average, other major market indices weakened on profit-taking.

Wall Street expects a further slide in world oil prices as the Opec countries try to re-establish market control. This might have serious implications for US banks but could in turn prompt the Federal Reserve to ease credit, perhaps by cutting the discount rate.

The combination of cheaper credit and lower oil prices would provide a widespread boost to US industrial companies and to worldwide demand for industrial goods.

Banks came under increasing selling pressure yesterday. At $72 Chase Manhattan fell $2¼, J. P. Morgan lost $3 to $62¾ and Bankers Trust $2¼ to $34¼. The strong exception among the money centre banks was Citicorp, a further $½ to the good at $49½ as Wall Street took a favourable view of the successful consumer loan operations.

Regional banks to turn down included Wells Fargo, $1 off at $64¾, and Security Pacific, down $⅛ at $29⅞.

Oil also ran into renewed pressure. A sudden selling wave caught Exxon at mid-session, taking the shares down $1⅜ to $49⅝, with more than 2m shares traded. Chevron was $1 off at $34⅝, and Atlantic Richfield another $⅛ down at $51⅞.

Suggestions in the investment press of difficulties in finding the $1bn security needed to prevent Pennzoil from seizing its assets took Texaco stock down $1⅛ to $26⅞ in hefty turnover. Pennzoil lost $1⅞ to $64¼.

Semiconductor issues were the latest sector to attract attention. With a Morgan Stanley analyst predicting that semiconductor industry sales will gain 11 per cent this year and 25 per cent in 1987, Motorola jumped $1⅞ to $41⅞, with National Semiconductor up $⅝ at $13⅛.

General Motors, $⅛ up at $76½, remained firm in response to the profits news and its reported discussions on the possible purchase of the truck interests of BL, the UK state-owned motor group.

Ford added $¾ to $64¼ and Chrysler $⅞ to $46⅝, both awaiting trading statements for 1985.

Airline stocks took a breather after their frantic rise at the beginning of the week. Among the domestic carriers there was support for American, up $⅞ at $48¾, and Delta, up $⅛ at $44⅞. But Pan Am eased $⅛ to $8⅛, and United shed $⅞ to $54⅞.

Dollar-oriented stocks were active again, with pharmaceuticals to the fore as the dollar seemed inevitably headed downwards to Y190. Merck, a constituent of the Dow average, climbed $2 to $142¼ and Bristol-Myers $⅞ to $64¾.

The flow of corporate results slackened. General Reinsurance edged up $⅝ to $37 on news of a turnround into quarterly profit. But Maytag, the domestic appliance maker, tumbled $4¼ to $40¼ on flat earnings. Quarterly results from Manville left it $⅛ off at $7⅛.

Grumman, the Long Island-based defence group, added $⅜ to $28⅝ despite lower profits. Quotron, the electronic market data reporter, was $⅞ up at $13⅝, also after trading news. At $38¾, Tenneco was $⅜ up on the profit figures.

In the brokerage sector stock in E. F. Hutton, the second largest retail broker, slid $⅝ to $39 after the board disclosed the predicted loss for the final quarter of last year.

Merrill Lynch, the market's biggest trading firm, fell $1¼ to $37⅞ in brisk turnover – speculators' hopes of a bid have been disappointed.

In the credit markets, federal funds dipped to 7¾ per cent without liquidity help from the Federal Reserve, but other short-term rates remained steady. Three-month Treasury bills were comfortably below the 7 per cent barrier.

The bond market moved firmly into the first of the Treasury auctions. Long-dated issues gained about ½ point as bids for the $9bn in three-year federal notes were delivered to the auction room. But retail interest remained thin.

TOKYO

Express rail connection to peaks

BUYING INTEREST centred on low and medium-priced "incentive-backed" issues in Tokyo yesterday, sending share prices to an all-time high, *writes Shigeo Nishiwaki of Jiji Press.*

Electric railways and chemicals were in the spotlight, while electric power utilities, steels and blue chips were neglected.

The Nikkei average gained 51.62 from the previous day to 13,138.09, eclipsing the previous peak of 13,136.87 set on January 4. Trading remained heavy at 472m shares, compared with Monday's 425m. Advances outnumbered declines by 445 to 375, with 137 issues unchanged.

There was no incentive to drive share prices higher, except for Wall Street's overnight advance to a record high. There was, however, concern that the strong yen could adversely effect the earnings positions of major electric appliance makers which close their books at the end of March.

Nevertheless, strong selective buying interest spread to incentive-backed issues priced at around Y500, sending the market to higher ground.

Electric railways, which have vast property assets, were sought because urban redevelopment projects will contribute largely to their earnings positions.

Nishi-Nippon Railroad topped the active list with 20.71m shares changing hands, gaining Y45 to Y365.

Chemicals fared well on prospects that the stronger yen and lower crude oil prices would cut their fuel costs. Toyo Soda, the second most active stock with 18.84m shares traded, soared Y44 to Y362, supported by the reported development of a new ceramic which maintains high strength even at a high temperature.

Okakyu Electric Railway, the third busiest stock with 14.83m shares, jumped Y28 to Y540. Nippon Sanso, fourth most active with 10.18m shares, advanced Y25 to Y400 and Nippon Shokubai Kagaku was up Y11 to Y590.

Conversely, the issues, which had led market activity since last week, came under heavy profit-taking pressure. Shin-Etsu Chemical shed Y20 to Y1,050, while Janome Sewing Machine closed Y13 lower at Y650, the first drop in seven trading days. Japan Synthetic Rubber fell Y20 to Y477 and Toyo Kohan Y24 to Y651.

Among blue chips, Hitachi dipped Y7 to Y768 on reports that it would suffer a profit decline of 30 per cent in the business year ending in March, compared with the earlier estimated 25 per cent drop. Toshiba slipped Y3 to Y386.

Large-capital stocks fared poorly, with Tokyo Electric Power losing Y50 to Y2,850 and Mitsubishi Heavy Industries down Y2 to Y364.

Bond prices fluctuated because of investor concern over high price levels. The yield on the benchmark 6.2 per cent government bond, falling due in July 1995, stood at 5.575 per cent, unchanged from the previous day. But the yield on the 6.5 per cent bond, which matures in December 1995 and is becoming a benchmark issue, rose slightly to 5.570 per cent from Monday's 5.550 per cent.

Some dealers were concerned that bond prices, which had continued to rise since the 0.5 per cent cut in the official discount rate to 4.5 per cent last Thursday, might show a reactionary drop. Therefore, institutional investors remained cautious towards entering the bond market.

EUROPE

Exporters in vogue as dollar firms

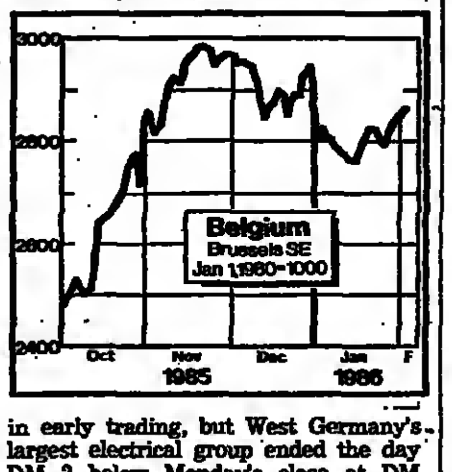
EXPORT-ORIENTED stocks were snapped up in Europe yesterday on the back of the firmer dollar and signs of disarray among members of the Opec cartel.

Most bourses opened in buoyant mood, celebrating Wall Street's streak of peaks and the record lows for some oil prices.

Frankfurt advanced sharply as foreign buyers returned in force. At mid-session the Commerzbank index stood at 1,991.0, up 24.1.

Machinery, chemical and car issues made significant advances while lower oil prices kept banks from matching the rest of the market's gains as concern about loans to poorer oil-producing nations put a halt to any improvement.

News of a rise in first-quarter earnings at Siemens saw it shoot up DM 10



in early trading, but West Germany's largest electrical group ended the day DM 2 below Monday's close at DM 792.00.

Both Daimler and Metallgesellschaft rose as West Germany's Cartel Office announced that the motor group must sell its stake in Metallgesellschaft before it buys AEG. Daimler added DM 6 to DM 1,330 while the metal group advanced DM 1 to DM 373.

Despite bad weather in the post-Christmas period, shoppers turned out in droves to take advantage of sales in West German shops. Retail issues reacted to the news of higher sales, with Horten rising DM 17 to DM 224, Karstadt DM 15.50 higher at DM 350.50 and Kaufhof DM 15 better at DM 410.

Foreigners bought bonds, driving the prices higher. The Bundesbank continued its selling spree yesterday with DM 49.5m of paper compared with a sale of DM 70.3m on Monday.

Utilities were the star performers in **Brussels**, pushing the Belgian Stock Exchange index to a high for the year of 2,864.76, up 11.34.

Ebes gained BFr 50 to BFr 3,900, and Unerg rose BFr 45 to BFr 2,340.

In the industrial sector Solvay advanced BFr 230 to BFr 6,660, and Tessenderlo added BFr 5 to BFr 3,600.

Armaments manufacturer Fabrique Nationale Herstal extended its gains from the previous session, closing BFr 65 higher at BFr 2,040.

Prospects of lower inflation and eventually lower interest rates helped prices higher in **Amsterdam**.

An optimistic report from the Dutch Government over the economic outlook for 1986 also helped to allay fears about the consequences of falling domestic gas income.

An exception to the firmer trend was Royal Dutch/Shell, which turned 80 cents lower at Fl 167.00 as nervousness over world oil prices had its effect.

Engineerings and chemicals in **Zurich** were boosted by the dual dollar and oil factors.

Also encouraging was the speech delivered on Monday night by Mr Peter Rogge, head of the strategic planning department at Swiss Bank Corporation, in which he said he expected Swiss exports to grow by 6 per cent in 1986.

Swiss bonds ended slightly firmer as demand increased and supply shrank.

Milan moved to a record as highly liquid mutual funds spread about some of their cash.

Industrials were again a strong point, with Montedison L44 firmer at L2,822 and Fiat up L120 at L8,580.

Paris extended its losses as divisions in the right-wing opposition made a bad impression on the bourse. The insurance group La Providence, which has been at the centre of a takeover battle for about three months, resumed trading with buyers offering FFr 2,100 a share, nearly triple their value of FFr 766 when they were suspended on November 5.

Banks were strong in **Madrid** while **Stockholm** tended mixed after a firm opening.

LONDON

CONFIDENCE was restored to London stock markets yesterday following the announcement of surprisingly good banking statistics late in the session. An early loss was quickly overturned, and the FT Ordinary index finished 6.6 higher at a record 1,163.9.

Blue-chip and international issues led the late charge with investors concentrating on consumer-related issues. Stores found late support.

Among the most actives were Acorn Computer, down 10p to 66p, BL, up 29p to 71p amid American predatory moves, and Beecham, 4p down to 361p.

Government securities encountered a flurry of buying, and longs reversed falls of ½ to close ½ ahead. Index-linked stocks moved against the trend, but losses were small.

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AUSTRALIA

THE PARTIAL takeover of BHP by Bell Resources galvanised Sydney and pushed the All Ordinaries index to a record with a 2.7 gain to 1,075.6.

There was no stampede to accept the Holmes à Court offer of A$7.70 a share for 20 per cent of BHP, which closed the session 14 cents up at A$7.40, while Bell shed the same amount to A$5.10.

Bell Group, which controls 45 per cent of Bell Resources and will have to take 120m Bell Resources shares at A$5.40 for the bid to be successful, retreated 20 cents to A$7.20.

News Corp, the most active, made more good progress with its 40-cent rally to A$11.50 on continuing hopes of success in its London printing strike.

HONG KONG

BARGAIN-HUNTING triggered a swift reflex action in Hong Kong as the Hang Seng index, led by properties, sprinted 26.43 to 1,728.81 in slightly reduced turnover.

Cheung Kong closed 40 cents ahead at HK$20.20, SHK Properties was 30 cents higher at HK$11.80 and Hongkong & Kowloon Wharf edged 5 cents up to HK$7.10.

Among the banks Hang Seng put on HK$1 to HK$46.75 and Hongkong Bank 5 cents to HK$7.90.

SINGAPORE

A GENTLE RECOVERY was experienced in Singapore although buying remained light with most investors staying on the sidelines.

Overseas support was detected among blue chips, and the Straits Times industrial index firmed 3.46 to 617.61. Singapore Airlines was the most active again with 1m out of the total 6m shares traded. It added 15 cents to S$5.70.

General Corp was also active with a 5-cent gain to S$1.24 while Fraser & Neave picked up 20 cents to S$6.20.

CANADA

BANKS, oils and mines suffered a brisk write-down in Toronto despite the good performance on Wall Street.

Banks with energy-sector exposure led the decline, with Canadian Imperial Bank of Commerce off C$⅜ at C$29⅝, Royal C$⅜ at C$30 and Bank of Montreal C$⅜ at C$31⅛.

Montreal suffered a broad-based decline.

SOUTH AFRICA

GOLDS DIPPED again in Johannesburg under the twin influences of a stronger rand and an easier bullion price.

Southvaal was marked R7 lower to R114 while Kloof shed R1 to R24.50.

Among mining financials and other minings Anglo American edged R1.15 down to R41.35 while leading diamond producer De Beers retreated 30 cents to R17.30.